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**19980713 157**

JPRS-CAR-88-069  
4 NOVEMBER 1988  
China

NODE-B/nea/car/no069/div1

Graphics Library xxxxx

P&PG Job No. 546-1027-89

No of pp: 47 & 2

No of cc: 584(166) plus 5 (jprs) TOTAL: 589

Cover color: aqua

Priority: No

When ready, please call: Skip, x36422

**PLEASE NOTE:**

**Page 47 of regular text will be printed on the inside of back cover**

# China

JPRS-CAR-88-069

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### False Words, Deeds Termed Serious Problem With Party Cadre Behavior

40050376 Harbin FENDOU [STRUGGLE] in Chinese  
No 7, 1 Jul 88 pp 18-19

[Article by Li Guoliang 2621 0948 2733: "A Problem Worthy of Attention in the Process of Constructing the Party Style"]

[Text] Generally speaking, the behavior of our party is good. Since the 3d Plenum of the 11th CPC Central Committee, the party line and policies have been correct and have deeply won the hearts of the people. Because the party line is correct, the party and the country are the best they have ever been. With reform and opening up to the outside world, and the party cadres' steadfast upholding of the principle of "one center and two basic points," the party and government have functioned as role models. If, when examining the party's behavior, one ignores this major trend, one may lose confidence in the future and become disappointed and pessimistic. Obviously, pessimism lacks a scientific foundation.

However, we must not ignore the fact that there are indeed a few problems with the behavior of the party and some of these problems are even quite serious. What are the major problems with the party's behavior? One is that cadres use the powers of office to enrich themselves; a second is bureaucratism; a third is extravagance and waste. Besides these behaviors, another is even more worthy of our attention. A minority of the cadres, in their enthusiastic pursuit of their individual "political record," will not hesitate to exaggerate, falsify their record, conceal problems, or make false and illegal reports. They lie and act dishonestly to deceive their supervisors, the media, and the masses.

According to a 26 Jan 88 wire report of the Xinhua News Agency, "in an audit of finances conducted in 1986, a study of the link between economic efficiency and total wages in 82 industrial enterprises in Beijing found that 17 enterprises had adopted such schemes as under-reporting of costs, leaving out expenses, and faking sales to declare a nonexistent profit of 6,279,000 yuan, 8.7 percent of the total profit reported." Tactics to completely use up all the money such as overstating profits in order to distribute more bonuses not only hinders the development of production, it also harms the state.

One of the important causes of the forest fire in Daxingan Mountains which resulted in a great loss to the nation's resources was the fear on the part of certain people of adverse effects on their "political record." When the fire first started, the meteorological charts of the National Weather Bureau showed the beginnings of the fire, but relevant units told the central government that there was no fire. Later, they said that 4 out of 5 areas that were burning had been extinguished and the other had been put under control. As a result, trees under 3 forestry bureaus were burned to the ground a few hours later.

When the fire spread to Mohe County, the local people repeatedly asked county authorities about the status of the fire and the Bureau of Forestry prepared a team of firefighters to fight the blaze, but the county government said nothing and did not issue any report about the fire. Then, the county government politely declined the offer for help. Finally, the fire engulfed the entire city.

In reality, lying about the record and concealment of accidents is by no means rare. Some lie about the of number ten-thousand-yuan households, the amount of per capita income and grain production, thus deceiving the authorities and the masses. To help their children inherit their jobs, some even go as far as to illegally alter their household registration and personnel files, increase their childrens' recorded ages, alter job descriptions, concoct a history of illness, forge certificates, and use other illegal measures.

False acts, whether done to build up one's "political record," climb the ladder, or seek gain for a small group, one's children, relatives, or friends have reached a point where it makes one bristle with anger. These behaviors ruin the party's image and reputation, isolate the party from the masses, is inimical to the state's efforts to conduct a scientific analysis of the nation's economy and formulate correct policies. It destroys the development of productivity and seriously hurts the development and reputation of cadre troops to the extent that it has become very difficult to carry out the party's basic line and series of goals and policies during the initial stage of socialism.

People often talk about the extreme behaviors of the "Great Leap Forward" during the decade beginning with 1958. They jeer at crazy methods that proposed "if people had enormous courage, the land would be so much more productive"; that satellites could be launched everywhere. However, have people learned from the mistakes of the past? Have they become more scientific and realistic? It is heartbreaking to see people making the same mistakes all over again.

A problem closely related to the improper behaviors just described is that a few cadres engage in short-term behavior and act only for immediate benefit. This attitude is conducive to the growth of deceitful behaviors.

China's revolution and socialist construction is a great, systems engineering project. The initial stage of socialism requires upwards of 100 years. The focus of our work, therefore, must not only be on today but also on tomorrow. We must correctly handle the relationship between yesterday, today, and tomorrow, and between the state, the collective, and the individual so that we may build a good foundation for those who follow us and so that socialism and communism can be passed on for thousands of generations. This is our sacred duty.

The construction of socialism is not something that can be done overnight and it must not be taken lightly. Is it any wonder that there are hundreds of battles in the new undertaking? We will only make a new contribution if everyone can be united in heart and mind, pull together through rough times, put their noses to the grindstone, advance reform, break new ground and advance.

In the process of reform, we should work to serve the people in our own unit and locality. If in a year's time, one is able to find solutions to 8 to 10 problems that are troubling the people, this would fulfill the party's aim to serve the people and this goal should be affirmed and supported. So also should we support cadres who worry about whatever worries the people, are concerned about whatever concerns the people, steadfastly helps the people accomplish something concrete, and contributes to the construction of socialism. Such cadres should indeed be praised. Those, however, who do no care about the overall interest of the nation or the long-term benefit of the people but only care about quick merit and short term gain and make fancy moves that have no substance should certainly be resolutely opposed, because this type of work style can only bungle up our undertaking and bring harm to socialist construction.

Basically, some persons lie and cheat because they lack the right ideology, the scientific attitude of seeking truth from facts, historical materialism in their world view and they are deluded by idealism. In other words, their party spirit is not pure. At the same time, their behavior reflects the lingering existence of leftist poisons such as the idea that "nothing can be accomplished without lying." We therefore must continue to purge any remaining leftist poison.

There is a correlation between bureaucratism and improper behavior such as trickery, falsehood, and deception. Some accomplish their treacherous deeds by taking advantage of bureaucrats who do not understanding the situation and who love to make themselves look good. That is why we say that bureaucratism is a protective umbrella for fraud and falsehood. Some concentrate their energy on catering to the taste of the leaders. They specialize in knowing "the kind of food" their immediate supervisor likes to eat. No wonder they make their maxim for dealing with supervisors and subordinates: "bearing good news, never bad news is the way to gain fame and riches at the same time; telling it as it is brings about loss of life and fortune."

If a cadre does not tell the truth, he must take the responsibility and his immediate supervisor must take even more of the responsibility.

It should also be pointed out that some leaders themselves do not have a correct work style. Their conduct is inevitably imitated by their subordinates. When the

main beam is not straight, all the rafters will be slanted. In some units where incorrect work styles prevail, those in the habit of lying are not criticized, while those who dare to adhere to principles and tell the truth do not receive support and may even be attacked, retaliated against, or otherwise treated unjustly. We need to seriously think about this situation.

When the democratic system lacks soundness, effective supervision, when rewards and punishment are not clear cut, there are no sanctions against and no means of controlling those who act and speak falsely. Disciplinary actions are not sufficiently severe, being both too lenient and too soft. The situation will abet fraud and falsehood.

In order to carry out the basic line of the party in the initial stage of socialism, further carry out reforms, and do a good job in building the two civilizations, we must further improve the party's work style. Fraud and falsehoods indicate that some cadres' political, educational, and moral qualifications are not sufficiently high. We should exert much effort in improving education and their moral caliber. At the same time, we should advocate the Marxist principle of seeking truth from facts, telling the truth, doing honest work, and being honest persons in order to uphold the guiding ideology and continuously improve the party work style.

We must encourage cadres to speak the truth and to be honest persons who are loyal to the party, loyal to the socialist undertaking, and who are of good character for the party. We must improve discipline, the legal system, and the party system. We must plug up the leaks and holes, strive to create rules to be followed, laws to be adhered to, tighten party discipline, keep a tight rein on the party, make a clear distinction between reward and punishment, and frequently carry out criticism and self-criticism. Those who commit fraud and falsehood must be investigated and held responsible. Criticism and education should be the method of dealing with the minor offenders and legal sanctions should be used to punish the serious offenders. Those who "play tricks" must not be allowed to gain the upper hand.

We should widely promote democracy, further develop a democratic government, and improve the transparency of government. Matters that are important and are connected with the people's welfare should be made public because the masses must be respected as masters. Leading cadres should always remember that the aim is to serve to the people. They must see to it that they act as role models and always understand the real thoughts of the people. We must exert much effort to improve surveillance by the masses, internal party surveillance, public opinion surveillance, and legal surveillance so as to leave no holes for lies and shams to penetrate and no advantages for liars and tricksters to gain.

## NATIONAL AFFAIRS, POLICY

### Solutions for Power Shortage Suggested

HK0510041788 Beijing JINGJI GUANLI in Chinese  
No 7, 1988 pp 48-50

[Article by Zhou Ruyan 0719 1172 3508 and Feng Yongping 7458 3057 1627 and edited by Li Fei 2621 7326, responsible editor: "Establish a Bi-directional Restraint Mechanism to Alleviate the Electric Power Shortage"]

[Text] The long-term electric power shortage has seriously impeded China's economic construction. We attempt in this article to sum up the experience of Yancheng City, Jiangsu Province, in adopting, on a trial basis in 1987, the contracted responsibility system of planned power consumption, and to investigate conditions for establishing a bi-directional restraint mechanism of electricity supply despite the power shortage, so as to coordinate and balance the supply and the consumption of electric power, and to alleviate as much as possible the contradiction in power shortage.

#### I. Dualism of Power Shortage and Possibility of Alleviating Contradiction in Power Shortage

Like anything else, the power shortage, taken as a comprehensive social environment, is marked by dualism, that is, the objectivity and subjectivity of having a power shortage. Objectively, the construction of the power generation industry has fallen behind the growth of the national economic development. Though the state has recently adopted an inclined policy, the aggregate supply and aggregate demand of electric power can hardly be balanced, and this contradiction has become very acute, so that the objectivity of having a power shortage is quite obvious. In order to basically put an end to this situation, we must speed up the construction of the power generation industry, which is by no means easy. The crux of the problem is that when analyzing the contradiction in power supply, people often stress its objectivity but neglect its subjectivity. They never realize the position of and the role played by subjectivity in the shortage of electric power. Therefore, it develops a phenomenon in which the extent and scope of the power shortage gets worse while the number of power generators is increasing.

What is the subjectivity of the power shortage, that is, factors for the purely man-made power shortage or intensifying the power shortage?

First, the order of power consumption is so unstable that restrictions are often imposed on the consumption and large-scale blackouts frequently occur. In the first half of 1987, the East China Power Supply Network imposed on 2,205 occasions restrictions on the power supply to Jiangsu Province, as well as cities and counties under the provincial authorities. The voltage classes that were subject to restrictions were 110 kilovolt and more. In

other words, at least a whole county had no power supply whenever the power supply restrictions were in effect. Between January and March, 1987, the power consumption of Yancheng City, Jiangsu Province, at its peak period reached beyond its assigned level by 24 million KWh, so that the power consumption restrictions were imposed on the city on 88 occasions, and its total blackout time was 208 hours. The Dongtai and Daifeng counties of the city, with a population of one million each, experienced in a single month a county-wide blackout on more than 10 occasions. The generation and consumption of electricity must be absolutely balanced, and consumption beyond the assigned level is strictly forbidden. If the consumption of power beyond the assigned level continues despite repeated restrictions so that the power network operates at a low cycle and the safety of the network is under threat, the power authorities at various levels will inevitably be forced to impose restrictions on the power supply. The result of frequently imposing restrictions on the power supply is that on the one hand, areas and units that consume power within the assigned level suffer from blackouts and, on the other, it helps people develop the mentality of striving to get more and trusting luck, thereby developing the vicious cycle of "grabbing whatever is given, exceeding the quota, imposing restrictions on whatever exceeds the quota, and developing chaos whenever restrictions are imposed." Moreover, unstable factors were recently developed in the operation of the power network. When the power generation and consumption plans do not balance with the distributed power consumption plan, they had to frequently readjust and reduce the distribution plan of power consumption. This kind of unstable power consumption imperceptibly intensified the power shortage, and enlarged the extent and scope of the power shortage.

Second, the power supply is not flexible enough for the comprehensive economic results of electric energy to be given full play, and it even develops the phenomenon of unrevealed electricity. The generation and consumption of electricity should be carried out at the same time without any interruption. However, under the influence of the traditional concept of "working from sunrise until sunset," there are both the peak and non-peak periods in everyday power consumption. The power shortage is very serious during the peak period, and the same is true for unused electricity during the non-peak period. According to the statistics, in Jiangsu, some 150,000 kilovolt of electricity has yet to be tapped during the non-peak period of power consumption. This means that more than 500 million KWh of electricity was unused each year. As the East China Power Supply Network has the potential of supplying 500,000 kilowatt of electricity during the non-peak period, the annual amount of unused electricity was 1,800 million KWh. If the same situation applied to the whole country, some 30 million kilowatt of electricity would yet to be tapped, and the annual amount of unused electricity totalled more than 10 billion KWh. This is an enormous figure. In order to increase the power generation capacity of generators and

boost the annual capacity, the state must make an investment of a couple of billion yuan. If the value per KWh of electricity generated for industrial use was 5 yuan, it would create 50 billion yuan of industrial output value for society. It is indeed a pity that such an enormous fortune was wasted for no purpose. At the same time, as the potential of power generation was left unused during the non-peak period, some highly efficient large generators of the network were frequently switched on and off, thereby increasing the production cost, affecting their liability, and reducing the profits derived from power consumption. Besides, the situation has further intensified the power shortage during the peak period, thereby threatening the safe operation of the power network.

Third, the ideology of self-control is so weak that the planned consumption of power is not realized, thus bringing about a spiral increase of power consumption. The tenuous situation of power supply, the greater the demand of power consumption. Consequently, power generation departments at all levels become very busy. The demand for power supply is also increased under various kinds of pretext, such as electricity for key projects and electricity for fighting against disasters and for the poor, in addition to the mandatory "unified distribution of electricity" and the guiding "electricity for processing." This mechanism has undermined the seriousness of the planned consumption of power, helped the development of anarchism in power consumption, and, to a certain extent, further intensified the power shortage.

From the above mentioned analysis, we can see that the existence of subjectivity of, or man-made factors for, the power shortage is rather common. Since these man-made factors can enlarge the extent and scope of the power shortage, factors for eliminating these man-made factors can also completely check the expansion of the power shortage, and alleviate to the greatest extent such shortage. Provided that we study the above mentioned three man-made factors, we shall discover that the crux of the problem is the state of imbalance between the power supply and power consumption. Therefore, when power shortage develops because the supply and power consumption becomes acute and there is no balance between the generation and consumption of electricity, it is possible for us to balance and coordinate the supply and consumption, and to alleviate the serious power shortage.

## II. Bi-Directional Restraint and Stability of Balance and Coordination

To tackle the power shortage by adopting various means to establish an effective restraint mechanism, in order to balance and coordinate the power supply and consumption and to alleviate as much as possible the shortage, is basically a way of striving for more output without

increasing the input, or "making big profits with little capital." The core of this kind of thinking is the establishment of a restraint mechanism.

Is the current administration system for planned power consumption a restraint mechanism? We hold that the present administration system for planned power consumption is really a restraint mechanism, but neither is its form perfect nor its extent of restraint complete. We should review our current administration system for planned power consumption in order to clearly explain this issue.

The current administration system of planned power consumption is marked by three features:

First, unidirection, that is, one who supplies electricity controls the power consumption so that there is a firm "seller's market." As there is no equality or unity in duty, rights and interests of the supplier and the consumers, it is impossible to realize the supervision by society.

Second, being monotonous, that is, the use of administrative means is the major source of regulation, while the planned distribution and its implementation are, in fact, essentially the enforcement of administrative intervention, which artificially excludes this commodity from the economic rules.

Third, unitary, that is, the charges for electricity by the network are at a flat rate. The same charges are levied during the peak period, in which the consumption is greater than the supply, and during the non-peak period, in which the supply is greater than the consumption. As the power generation and consumption have violated the law of value, it is impossible to give guidance on consumption, which objectively stimulates an inflation of demand.

These three features are actually disadvantages, whose existence becomes obstacles in our move to eliminate the factors for the power shortage. Obviously, we must reform the current administrative system of power consumption, practice comprehensive administration, and quickly establish a perfectly formed restraint mechanism in order to alleviate the shortage.

To deal with the above advantages, we suggest developing a restraint mechanism marked by the features of multi-direction, diversification, and different pricing.

The feature of multi-direction is to make the supplier and the consumers subject to mutual restraints by rationalizing the relations between them. Electricity is a special and important means of production and livelihood that must be monopolized by the state. However, its property of being a commodity is an objective existence. In the final analysis, the relations between the supplier and the consumers are the one between supplier and purchaser, which is the relations of commodity economy. Therefore, there is no contradiction between



the planning and the social nature of power generation and consumption. Besides, the shortcomings of "government-backed businessmen" in the power generation industry can be overcome.

The feature of diversification is to utilize a variety of means, such as economic, technological, administrative and legal means, to administer the planned consumption of electricity. Under the circumstances in which there is a serious shortage in electricity, we must promptly utilize economic means and technological means, and really "impose restrictions on anyone whose consumption exceeds the assigned level" and "impose restrictions down to every household."

The feature of different pricing is to respect the law of value and reform the charges for the supply of electricity. We should charge a higher rate during the peak period, while charging a lower rate during the non-peak period. We should use the economic lever to guide the consumption of electricity, to tap the potential of the network, and to maximize the comprehensive economic results of electric energy.

The features of diversification and different pricing of this new type of restraint mechanism can be easily accepted by people. In fact, many areas have recently conducted investigations and implemented them in varying degrees and have achieved certain results. We are afraid that people seldom know about the bi-directional feature of this restraint mechanism, and it is just this features in which the core of this mechanism lies.

The bi-directional feature refers to the restraints on consumers by the supplier and the restraints on the supplier by the consumers, which include the economic obligations on planned consumption of power mutually undertaken by the two parties. The supplier imposes restraints on the consumers and urges them not to consume power beyond the assigned level, so as to strive to balance the generation, supply and consumption of electricity, which is understandable and indisputable. Meanwhile, the consumers also impose restraints on the supplier, which we think necessary as well as practical. Proceeding from the characteristics of the whole process of generation, flow and consumption of electricity, the consumption of electricity is determined by its generation and flow. Therefore, the administrative system of the planned consumption of power should include the generation and flow of electricity, rather than being limited to its consumption. Besides, proceeding from the economic rules on exchange of commodities at equal value, consumers have an absolute right to lodge protests or even file claims for any sudden blackout due to human liabilities in the course of generation and flow of electricity, or any restriction on electricity supply as a punishment against them. Moreover, the generation of electricity is also marked by the characteristic of social benefit, which is related to tens of thousands of households, each and every trade. Consumers therefore have the absolute right to require the supplier to maintain the

stability of the power supply, and put the power generation departments under the supervision of society. The self-construction of two civilizations by these departments also objectively requires them to improve the services and to voluntarily submit themselves to supervision by society. As the current power shortage is very serious, they are obliged to painstakingly organize the generation and flow of electricity, and to create prerequisites for establishing a coordinated order of power consumption by maintaining a continuous and stable generation and supply of electricity. Thus, we can see that it is absolutely correct that the electricity consumers should impose restraints on the supplier. Only when there are mutual restraints between the parties can we stabilize and maintain a balanced and coordinated order of power supply and consumption. This point was demonstrated by the experience of Yancheng City, Jiangsu Province, in implementing on a trial basis the contracted responsibility system of planned power consumption.

### III. Competitiveness of Contracts, Reality of Alleviating the Power Shortage

In order to establish a new restraint mechanism, to balance and coordinate the power supply and consumption, and to alleviate as much as possible the power shortage, we should break through the regional and departmental boundaries, and urge the supplier and consumers to enter into contracts according to the Economic Contracts Law, thereby making the bi-directional restraints rational, equal and legally binding.

Yancheng City's contracts on the planned consumption of power was divided into three levels.

First, it rationalized the relations with the network. The city planning committee, acting on behalf of the consumers, entered into a contract with the provincial power supply bureau, acting as the supplier, witnessed by the provincial planning and economic committees. The principle of the contract was to assign monthly power consumption plans on the basis of mandatory centralized distribution plans and to forbid the imposition of restrictions on the consumption if it did not exceed the assigned level. That portion of power consumption which exceeded the assigned level was levied an additional charge of 0.5 yuan per KWh. During the non-peak period, that portion of power consumption which exceeded the assigned level was used as a guiding figure to increase the power supply rather than being settled against the quota under the centralized distribution plans. The network should make up for the amount of electricity not being supplied or make compensation at a rate of 0.5 yuan per KWh if any imposition of restrictions or blackouts took place because of the network. Second, the city power supply bureau, acting as the supplier, entered into several contracts with various counties (districts), acting as the consumers, witnessed by the city planning and economic committees. The principles of the contracts were the same as the above.

Third, the city and county power supply bureaus separately entered into several contracts with their major consumers of electricity for industrial use. The contracts "assigned quotas and concluded agreements in three ways, and provided penalties," that is, the determination by the power supply bureau on the load of electricity, the quantity of electricity during the peak and non-peak periods, and the power consumption per unit product by an enterprise; whereas the enterprise entered into contracts with the competent department on the output value, quantity and profits. This department was responsible for punishing enterprises that could not perform their obligations. Contracts were also entered into with other industrial enterprises according to their actual conditions. Therefore, self-control by cities and counties was increased to more than 70 percent.

The execution of contracts between the suppliers and consumers means that both parties must undertake the economic responsibilities for planned consumption of power, and that their duties, rights and interests were equal and united. These bi-directional restraints were competitive. This is because nobody wants to be in an embarrassing position and undertake his obligations because of his breach of contract. Proceeding from the results of the system since its introduction by the city in April 1987, we can see that it has played a significant role in alleviating the power shortage.

First, it established a balanced and coordinated order of power consumption. In the 9 months following its introduction, the city imposed only on 21 occasions restrictions on the power supply because the consumption level exceeded the assigned level, which showed a monthly drop of 87.3 percent compared to the number of occasion on which restrictions were imposed before the introduction of the system. At the same time, it succeeded in maintaining a balance in the planned quantity of electricity. Following the introduction of the system, localities had the initiative in power consumption, could really "safeguard the key projects, and supply power to the prior ones," and improved the social benefits brought about by the consumption of electric power. A number of core enterprises making fist products no longer worried about the risk of having restrictions on their consumption and of blackouts. The number of the city's enterprises that delivered over one million yuan of profits and taxes was increased by 50 percent when compared to the previous year. In 1988, the producer of the well-known "Yan Wu" radio-cassette recorder ranked top of the trade in terms of output value, output volume, profits realized, and productivity. The city's gross industrial output value was increased by 22.2 percent when compared to the previous year, which exceeded the average growth rate of the whole province. After entering into the contracts, Funing County put an end to the previously chaotic order of power supply and consumption, and increased its realized profits by 50 percent, being ranked top of the city.

Second, it tapped the potential of the network during the non-peak period, so that it achieved a sound growth rate

in terms of power consumption. Under the circumstances where the quotas of 1987 mandatory and guiding plans on power consumption were lower than those of 1986, the city consumed an additional electric quantity of 167 million KWh by organizing overnight power generation, which accounted for 10.6 percent of its annual power supply or 25 percent over the power supply during the non-peak period. This equalled to the installation of a set of 30 million-worth 25,000 kilowatt generators without spending a cent. The power supply departments also increased their income by 12 million yuan.

Third, it promoted the conservation of electricity, and improved the efficiency of power consumption. After the contracts were entered into, the order of power consumption became coordinated and stabilized, so that the power consumption per unit product of industrial enterprises was dropped. The 1987 assessment on the power consumption per unit product showed that 41.7 million KWh of electricity was conserved, an increase of 23,285,000 KWh when compared to 1986. The 1987 power consumption per 10,000 yuan of output value was also 311 KWh less when compared to 1986. In the first quarter of 1987 (before the execution of its contract), the city's textile mill, whose annual output value exceeded 100 million yuan, increased the occasions of switching on and off its equipment because of restrictions irregular occasions of blackout, so that its consumption of electricity per each ton of yarn increased to 1,361 KWh and exceeded its limits. In the second quarter (after the execution of its contract), however, its power consumption per each ton of yarn sharply dropped because of stable supply of electricity. Its annual power consumption per each ton of yarn was 260 KWh below the assigned level, reaching the advanced level. The power consumption per unit product of synthetic ammonia made by the city's chemical fertilizer industry was also 26,775,000 KWh below its assigned level.

Besides, through the implementation of contract system on a trial basis, the city has further strengthened its ideology on self-control and its capability of meeting an emergency, perfected the administration of power consumption, and improved the relations between the suppliers and consumers. Their experience will be much more valuable if the city goes further and levies different charges for electricity supplied during the peak period and that during the non-peak period.

**Ma Hong on Developing Real Estate Industry**  
40060410 Beijing JINGJI CANKAO in Chinese  
14 Jun 88 p 4

[Article by Ma Hong, director-general of the State Council's Economic, Technological and Social Development Research Center: "Reform Urgently Demands Major Development of the Real Estate Industry."]

[Text] The real estate industry engages in the development and management of house and landed properties. Among all commodity categories, real estate is one of the

most expensive. The real estate industry is closely tied to the productivity and livelihood of the people, and plays an important role in the national economy. It is a very important industry.

In many countries, the real estate industry has long been a mainstay industry in the national economy. For example, in the post-war economic development of the U.S., the construction industry, which is closely related to the real estate industry, became one of the four mainstay industries. It is the same in Japan and other economically developed countries. In 1980, Japan invested 16 trillion yen, about 6 percent of Japan's 267 trillion yen GNP, on residential housing alone. Hong Kong is another example. In 1981, the real estate industry provided an accumulation of 17 billion Hongkong dollars for the government; it accounted for 48 percent of the government's total revenue for that year. Statistics for the period 1961 to 1984 show that income from land sales by the Hong Kong government accounted for an average of 17.7 percent of its financial revenue. During the 1980-81 fiscal year, total income from government land auctions topped \$2 billion, or 35 percent of the government's income for that year. It can be said that Hong Kong's rapid growth rate since the 1960's has much to do with the development of the real estate industry.

The real estate industry should, and in fact can, become a mainstay industry in China's economy.

For more than 30 years since the founding of the PRC, however, we have continued to implement a low-rent housing supply system in cities. The system of using land gratis in cities made it impossible for the real estate industry to get off the ground. This is the product of the traditional system of product economy which is in conflict with the development of the socialist commodity economy. This old real estate management system has created all sorts of abuses. Urban housing problems continue to plague the country, and urban land resources still cannot be properly allocated. Today, in particular, with the development of the planned commodity economy, many productive elements have begun to comply with the laws of the commodity economy, and this conflict has sharpened.

The restructuring of the economic system in China is a large systematic project. As a mainstay industry in the national economy, if the real estate industry fails to comply with the laws of the commodity economy, not only will its own development be slowed, it will have broad ramifications and will seriously distort the economic activities in society. Without reform, there will be no future.

In my opinion, the immediate tasks in the reform of the urban real estate system are: one, require compensation for the use of land, and two, establish and nurture an urban real estate market. Today, some cities have begun experimenting with the system of compensation for

urban land-use and are charging land-use fees. Shenzhen and Fuzhou have also started to auction off land-use rights. We are beginning to understand better the basic approach of charging land use fees and retaining part of the receipt to pay land-use tax. After comprehensive studies, we should implement the system in a planned and systematic way.

Compensation for urban land-use is only the beginning of the reform of the urban real estate management system. The next step is to set up an exchange market for land use-rights in cities. Only in this way can the real estate management system get on track with the planned commodity economy.

In his report to the 13th Party Congress, Comrade Zhao Ziyang pointed out that "the socialist market system not only includes a market for consumer goods and capital goods but should also include markets for funds, labor, technologies, information, real estate, and other key productive elements. A homogeneous commodity market cannot develop market mechanisms." The real estate market is a crucial part of the country's entire market system.

Developing the real estate industry will give rise to a thriving real estate market. The real estate market is an organic component of the socialist market system. Thus, developing the real estate industry will enrich and perfect the socialist market system and give full play to the positive role of socialist market mechanisms.

Establishing a real estate market will have major impact on the proper use of urban land resources and on maintaining total supply and demand [equilibrium] in society.

First, it will help the house and landed properties balance their own supply and demand. Residential housing in China's cities and townships has long been managed as a product under a in-kind allocation policy. On the one hand, this has stimulated excess demand, and on the other hand, because housing investments only incur input but produce no output, it does not generate any beneficial cycle. Housing has become a financial burden for the state and it has become increasingly expensive to maintain existing buildings which are fast deteriorating. With limited financial resource, we cannot afford to start large scale construction of new housing. As a result, housing supply and demand remain tight and unbalanced. If we have a real estate market, we can use the laws of economics to eliminate these conditions which are the product of the old system. Urban land should be treated in the same way. Through the market for landed properties, the state can entrust the land-use rights to the most economically efficient and the most competitive enterprises for development. The supply and demand for urban land can be regulated by adjusting the amount of land-use fees, and improper land use structure can be modified through market adjustments. Urban land can

be put to proper use by applying the principle of differential rent to get the highest economic and social benefits. Here, we should emphasize that the market's regulatory mechanism and the planned regulatory mechanism for urban land should be integrated. That is to say, urban land-use should not be left entirely to market mechanisms; instead, we must rely on urban planning to scientifically put urban land to proper use. This is what is required of urban land-use under the principle of the planned commodity economy. From now on, we must pay special attention to handling this relationship properly, and we should formulate necessary laws and regulations for guarantee.

Second, developing the real estate industry can readjust the consumption structure. Because a staple commodity as important as housing has never been a part of the consumption market, China's consumption structure is unbalanced. Housing expenditure takes up only 1 to 2 percent of household income. In other countries, such as the U.S., France, Italy, Australia, and Turkey, housing expenditure normally takes up 25 to 30 percent of household income. Because rent is so low, renting is preferred to buying a house. When people have money, they spend it on other consumer goods rather than housing. By reforming the housing system and developing the real estate industry, more consumption funds can be diverted to housing, which will reduce market pressures, and alleviate the supply-demand disparity.

If the real estate industry enters the market cycle of the commodity economy, we must pay attention to the following. First, market mechanisms can promote the proper development of housing and landed properties and promote overall economic growth in the country. This is the important part, but at the same time, we must not overlook its speculative elements. Conditions abroad clearly show that real estate speculations are prevalent, and governments of all nations are paying close attention and trying to prevent their spread. As reform begins, we must be prepared and try to minimize our loss.

Real estate prices directly affect the country's overall price level. Land-use costs directly affect production and construction. Housing prices directly affect government revenues and the people's livelihood. Thus, we must handle pricing policy very carefully. We should develop the market's regulatory role, and meet the country's present conditions.

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## PROVINCIAL

**Article Examines Enterprise Merging in Baoding**  
*HK0510043588 Beijing JINGJI GUANLI*  
*in Chinese No 7, 1988 pp 42-45*

[Article by Wang Bingyi 3769 0014 0001 and Shi Zhishun 0670 1807 7311, edited by Shen Zhiyu 3088 1807 3342]

[Text]

### A. The Origins and Results of Enterprise Merging

In 1982, there were 35 loss-making enterprises under the Baoding City budget. These enterprises comprised 48 percent of all enterprises within the budget. The amount

of losses totaled 17.31 million yuan. In 1983, although the amount of money lost was reduced, loss-makers still constituted 37 percent. These enterprises with poor operations had, for a long period, ineffectively used fixed assets and large amounts of funds, and had received financial refund [tui ku 6622 1655] subsidies. At the same time, a number of superior enterprises urgently awaited development, but because of restrictions in terms of fixed assets and funds, it was difficult for them to expand their scale of production. The city government wanted to give them support but because of a shortage of funds, it was unable to do as it wished.

In 1984, in order to reverse the passive situation of the long-term loss-making enterprises, the Baoding Economic Committee carried out a review and analysis of the former practices of "closing down, stopping, merging or converting" enterprises. It was recognized that there were two obvious problems with equal merger of enterprises: 1. The equal merger arrangement of cadres was not of benefit to the unity of the leading group or development work. 2. It blurred the position of the superior enterprises and the inferior enterprises and, as the problem of poor operations by the inferior enterprises was not investigated, the aspirations of the superior enterprises could not be fully realized. In the process of enterprise readjustment, Baoding City changed the practice of "curbing the prosperous to assist the poor" and "protecting the backward." Their idea was to use the large enterprises to spur on the small enterprises and to use the superior enterprises to "eat up" the inferior enterprises, and they gradually took the path of "supporting the advanced and weeding out the backward." Thus they merged or sold four loss-making enterprises to superior enterprises. This was the beginning of the current merging of enterprises. At that time, this practice achieved even better results than expected. Not only were some of the loss-making enterprises eliminated, but the desire of some superior enterprises for expansion was also satisfied.

From 1985 to 1987, the Baoding City government in its capacity as local owner of state-owned assets, while according with market competition and the situation of superior enterprises succeeding and inferior enterprises being weeded out, continued to carry out enterprise purchase and sale. This resulted in 9 superior enterprises "eating up" 10 inferior enterprises, and the property rights and operating rights of the inferior enterprises were centered in the hands of the superior enterprises. The result was that the production factors which had been ineffectively utilized were invigorated in the superior enterprises. From 1984, when merging was instituted until now, 13 superior enterprises have put into use the production factors of 14 inferior enterprises, the deployment of production factors and enterprise organizational structure have begun to improve and economic results have been greatly raised. In 1987, in the 13 superior enterprises, the realized profit per 100 yuan of

fixed assets increased by 6.4 yuan, and realized profits were up 223 percent over the figures before merging (that is, the profits of the superior enterprises less the losses of the inferior enterprises. Seen in terms of the whole city, in 1987, the operational losses for enterprises within the budget were completely eliminated and financial revenue saw an annual average growth of 19 percent, thereby exceeding the growth rate of the gross value of industrial and agricultural output. These results are obviously the result of efforts on many sides. However, there is no doubt that enterprise merging has played a major role.

### **B. The Types, Forms and Procedures of Enterprise Merging**

The mergers of 13 of Baoding's superior enterprises with 14 inferior enterprises can be divided into 2 types and 5 forms:

The first type is merger between enterprises of the same ownership category. This type can be divided into three forms:

1. Merger between enterprises under the same financial jurisdiction. In this, the enterprise that is to have another enterprise merged with it, on the condition of assuming the liabilities of the enterprise to be merged, centralizes operational rights. The enterprise being merged will then lose its corporate status. The characteristic of this type of merger is that in the transfer of property rights in which "ownership rights are weakened and operational rights are strengthened," a transfer form is adopted.

2. Merger between whole-people ownership enterprises under different financial jurisdictions. The merging enterprise uses funds to purchase the property rights of the enterprise to be merged and at the same time, centralizes operational power and abolishes the corporate status of the enterprise to be merged.

3. Merger between collective ownership enterprises. The merging enterprise uses funds to purchase the enterprise to be merged and, thus, will centralize the property rights and operational rights of the enterprise being merged with its own. The enterprise being merged will then lose its corporate status.

The second type is merger between enterprises of different ownership types. This is divided into two forms:

1. A whole-people ownership enterprise merger with a collective ownership enterprise. The merging enterprise, under the condition of taking on the liabilities of the enterprise being merged, centralizes the operational rights of the enterprise being merged with its own. The

merging enterprise will then send a corporate representative to plan the product orientation and provide technological and management service to the enterprise being merged.

2. A collective enterprise merging with a whole-people enterprise. The merging enterprise purchases the property rights of the enterprise being merged and at the same time, centralizes operational rights and abolishes the corporate status of the enterprise being merged. After the merger, the whole-people enterprise staff and workers receive the conditions of collective staff and workers within the collective enterprise, but will retain their whole-people enterprise staff status. When they are transferred, their original status does not change.

Enterprise merger is in fact enterprise purchase. In the actual process, there is a need to steer a cautious course and carry it out in accordance with fixed procedures. The main procedures are: setting goals—scientific verification—democratic decision-making—discussions between the two sides—examination and approval—appraisal of stocks and assets—legal notarization—registering industrial and commercial changes.

The major documents which will be produced by the two sides:

1. The agreement on the provisions of the merger under which enterprise A will merge with enterprise B.

2. The notarized deed of the "Agreement."

3. A memorandum by which enterprise A takes over the work of enterprise B. This will include arrangements for financial matters, other documents and materials and problems left over.

4. A detailed account of the assets of the enterprise being merged. This will include: an inventory of assets and debts, and inventory of fixed assets, an inventory of real estate assets, an inventory of materials on hand; an inventory of low-priced, easily worn articles; an inventory of finished products; an inventory of products already dispatched and an inventory of bank accounts.

5. Detailed accounts of the amounts receivable and those payable by the enterprise being merged.

6. A feasibility report.

7. A name-list of party members, cadres, staff, and workers.

### **C. The Role of the Government in Enterprise Mergers**

The Baoding City government, as the local representative of the owners of the whole-people enterprise assets, should be responsible for the security and growth of

assets. Thus, in the process of enterprise merger, in order to promote rational mergers, it is necessary for the government to adopt various measures.

The government, in carrying out its function as owner's representative and promoting the flow of assets, should carry out the following work.

First, it should make clear the status of the government as the representative of the owners of the whole-people assets, strengthen the consciousness of asset operation and asset purchase and sale, and exercise the final power in making arrangements for state-owned assets.

Second, in the process of enterprise merger, it should fully bring into play its guiding, coordinating, and service roles.

1. It should encourage the desire of superior enterprises for expansion and promote the flow of assets to superior enterprises. It should ensure that enterprises understand that the development of the socialist planned commodity economy not only relies on the development of markets for various types of production factors, but also on the development of an "enterprise market." Only by pushing enterprises into the market will it be possible to ensure that existing assets flow effectively and the goal of improving economic results is finally realized. The result of the development of a market mechanism is not only weeding out poor quality products, but more importantly the elimination through competition of the enterprises which produce the poor quality products.

2. It should reduce non-policy nature financial subsidies which have been provided over a long period to loss-making enterprises and have the enterprises seek their continued existence in market competition. It should thus change the policy of "restraining the superior and supporting the inferior" to one of "allowing the superior to succeed and the inferior to be eliminated through competition." This is the key in promoting enterprise merger and the rational flow of assets.

3. It should center on the provision of directional guidance in the improvement of the industrial structure and the product structure. The government should, in accordance with local development strategies, provide positive guidance. It should provide concern and support in terms of allocation of raw and semi-finished materials, funds, and energy for enterprise mergers which accord with the local economic development strategies.

4. It should combine the readjustment of asset volumes and the arrangement of asset growth. The achievement of this combination will have great significance in breaking down the ossified fixed asset situation in our country and in holding down fixed asset investment inflation. When an enterprise requires the deployment of new assets, the government should first consider whether or not it can take in existing assets, whether it can use the

assets not being used by inferior enterprises and ensure, on the policy level, that merger with the inferior enterprise is more beneficial than adding new set-ups.

#### **D. The Question of Transfer of Property Rights in Enterprise Mergers**

The transfer of enterprise property rights includes both the transfer of asset-use rights, operating rights, and control rights as well as the transfer of enterprise asset ownership rights. The transfer of property rights resultant from a merger of enterprises is determined by the nature of the commodity.

The principle used in Baoding City for handling the transfer of property rights on enterprise merger: compensation is stressed, but not at equal value, and arbitrary transfer of resources or simple absorption must be guarded against. The specific method is "In terms of assets, rough calculation is made, and in terms of results, general approximation is carried out." Considering that property rights divisions are not clear, there should be no excessive squabbling in mergers about accounts and problems which cannot in a short time be sorted out. When asset appraisal is of a greatly arbitrary nature, there is not a lot of stress placed on exchange at equal value. However, at the same time, egalitarianism and indiscriminate transfer of resources has to be guarded against. As long as it is beneficial on the macroeconomic level, and accords with the laws that necessitate that the superior succeeds and the inferior is weeded out, then the rational flow of existing assets should be promoted.

Compensated transfer in the merging of Baoding City enterprises has two obvious characteristics: The first is that in mergers between enterprises under different ownership systems and between whole people enterprises under different financial jurisdictions, because they are under different financial groups, the form of sale is adhered to and the accounting in this is fairly detailed. The two sides pay full attention to the value of the assets, the difference between assets and liabilities and the price offered by the merging enterprise. Then, as far as possible, the merger is carried out on the basis of equal value and rationality. The second is that in mergers between enterprises under the same financial administration, or under the same ownership system, the merging is carried out on the condition that the liabilities are taken on, the accounting is fairly rough and the liabilities taken on are very much less than the value of the assets received from the enterprise which is merged.

Some people consider that the practices of "rough calculation of accounts," with exchange not at equal value, and uncompensated centralization of the operational power of the enterprise being merged, violate the law of value. Our view is: First, the transfer of enterprise property rights is a special policy for a specific period. In this specific period, the current laws and regulations are incomplete, there is quite a great amount of friction

between the old and the new systems, economic structural reform needs to be continually deepened and many problems await resolution. These problems include property rights relationships and the divisions between principals being unclear, no standards for asset appraisal, the existence of a great amount of arbitrariness and the incompleteness of the market system. In this special period, when new things in economic life appear which are beneficial to developing the productive forces, we should allow the adoption of special policies, and promote their healthy development. Second, in cases where the assets of enterprises under the same ownership system are under the same principal or same asset group, the owners' representative is the government at the same level. Thus, the transfer of assets between such enterprises is actually merely a transfer of operations, and there is no change in ownership. Therefore, in the transfer of property rights, an uncompensated form can be adopted. Third, the principle of exchange at equal value in the law of value refers to the whole process of economic movement. In a specific time and place and a specific commodity exchange, it is a natural phenomenon that price is divorced from value. Fourth, seen from a different angle, the value of a commodity is finally realized in a price form through the market. In a sense, as long as the buyer and the seller need and approve of the sale, then it can be considered to be at equal value, and the value of the assets is not necessarily equivalent to the book value. In brief, as long as something is conducive to the development of the productive forces and is feasible in practice, we should affirm it.

The methods of transfer of property rights in enterprises of Baoding City were extremely necessary in the early period of merging; practice has shown them to be effective methods. However, effectiveness does not mean perfection, and short-term effectiveness is not the same as long-term effectiveness. Special methods applicable in a specific time do not have a universal nature. Following the development of market systems, the defining of property rights relationships and their principals, the establishment and perfection of the enterprise corporate system, and the transfer of property rights will inevitably develop in the direction of a proximity between value and price. Thus, in the process of gradually perfecting the merger mechanism, we should consciously guide property rights transfer to develop in the direction of "careful calculation of accounts," and make efforts to create conditions for exchange at equal value, so that this reform measure of property rights transfer can continually develop, deepen, and gradually be perfected.

#### E. A Few Views

The merger of enterprises in Baoding City realized the first step by achieving, in 1987, the major goal of eliminating those enterprises which incurred operational losses. The general idea for the next step is to combine enterprise merging with enterprise operational mechanisms such as the stock system, the contract system, the

leasing system and lateral economic alliances, so that all things are included. By centering around state industrial policies and the economic development strategies of Baoding City, and by weeding out and transforming a number of small but complete enterprises, specialized division of work and coordination will be developed and the rational flow of existing assets will be further promoted. At the same time, merger activities will be promoted to break through regional barriers and to expand to a larger area. In this, we need to do well in the following work:

1. Clean up assets and sort out the jurisdiction over them, while clarifying property rights relationships. We need to sort out and check enterprise assets and register them. For whole-people enterprises, we need to determine, in accordance with the channels by which funds are handed up, the ownership levels of state assets and divide them into assets owned by the governments at the central, provincial, city and county levels. Gradually, a system of graded management for assets should be implemented. For collectively-owned enterprises, the ownership jurisdiction can be decided in accordance with the principles of "the initial investment determines the ultimate owners" and "historical problems should be treated in a general way rather than in an excessively detailed manner." The government can issue announcements requiring that all owners put forward claims for property rights within a set period, and then ownership will be determined through sorting out and examining the claims.

2. On the basis of sorting out and ratification, there should be registration of property rights and, through legal measures, the issue of property rights ownership certificates. Then, in future all assets which enter the asset market will have to have property rights ownership certificates.

3. We should reform the traditional management system, and set up asset operation and management organs. For the management of publicly-owned assets, a "double-track system" can be instituted. That is, whole-people assets should be handed over to fixed asset management operational management departments to manage, and production development funds should be established. The funds obtained from those whole-people industrial assets which are sold should be handled in accordance with "special accounting" and be used to subsidize whole-people asset deficits and reinvestment for developing production. For collectively-owned assets, an asset management committee comprising staff and worker representatives, management personnel and experts, will represent the laborers' collective in exercising ownership rights.

4. We should reduce and eventually stop providing financial refund subsidies to loss-making enterprises and cut the enterprises' relationship of reliance with the government. Thus, the enterprise property rights and operating rights will be pushed into the market.



5. We should establish a market for property rights and operating rights transfer. This organ will be a non-profit, social corporate body which will mainly be engaged in service. Its major services will be: providing exchanges for the transfer of property rights and operating rights, issuing information on property rights and operating rights transfers at regular intervals, acting as a middleman in the transfer of property and operating rights, organizing verification of plans, providing feasibility reports, organizing assessment and appraisal of assets, investigating the corporate qualifications of the two sides involved in a transfer, arranging for upper level government departments to examine and approve the transfer, and handling property rights ownership transfer procedures.

6. We should establish property rights transfer legal consultancy organs and perfect the legal procedures for the transfer of property rights and operational rights. It will also be necessary to do well in auditing, registration, and notarization work.

7. We should collect, through various avenues and forms, the funds needed for enterprise mergers and establish a credit fund for property rights transfers. We should carry out trial stock system experiments, encourage enterprises to purchase asset rights through collecting funds or pooling funds, and explore new forms of property rights ownership in enterprise mergers under socialist conditions.

8. We should study and strengthen government macro-control over the property rights market and, in accordance with state and city development strategy plans and industrial readjustment requirements, formulate appropriate industrial strategies. We must also guide property rights transfer so that it develops in a direction beneficial to the realization of the city's development strategy plans, and to the improvement of the industrial structure, the enterprise organizational structure and the product structure.

## FOREIGN TRADE, INVESTMENT

### Development, Forecast for Economic Relations With Hong Kong

40060511 Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 7, 15 Jul 88 pp 11-13

[Article by Cai Beihua 5591 0554 5478, Shanghai Municipal People's Congress Standing Committee; passages in boldface as published]

[Text] The economic policy of opening up to the outside world which China began implementing in 1979 is making headway. Nine years' practice has made it clear that the highly effective cooperation with Hong Kong by China's vast interior region and especially the developed eastern coastal region is the most notable feature of China's opening up to the outside world. The economic

cooperation between the interior and Hong Kong has already become the foundation for the vigorous development of China's interior and the continued prosperity of Hong Kong.

### I. Historical Analysis

The economic links between the interior and Hong Kong are of long standing and well-established. Prior to the Opium Wars, Hong Kong was regarded as part of Baoan County, so naturally the question of economic cooperation between the two localities did not exist. After the Opium Wars, cooperation between the interior and Hong Kong has never been interrupted.

1. In 1947, prior to liberation, the total volume of trade between the interior and Hong Kong was HK\$649 million, accounting for 23.5 percent of Hong Kong's total volume of foreign trade. In the same year, the total volume of trade between Hong Kong and the U.S. was HK\$451 million, accounting for 16.3 percent, second to China's interior. The volume of trade between the UK and Hong Kong was only HK\$202 million, while the volume of trade between Japan and Hong Kong was barely HK\$52-million, occupying twelfth place.

2. In the early 1950's the U.S. launched a war of aggression against Korea, and the UK, too, followed the U.S.'s anti-China policy and implemented an economic blockade against China's interior, so that normal trade was disrupted. Even so, the U.S. and UK governments could not completely sever the links between China's interior and Hong Kong. Throughout the entire decade of the 1950's, although the average annual growth rate of bilateral trade was -0.26 percent, China's interior remained Hong Kong's biggest trade partner. In 1959, for example, the volume of trade between the interior and Hong Kong amounted to HK\$1.148 billion, accounting for 14 percent of Hong Kong's total volume of trade. The U.S. was still in second place, but trade between Japan and Hong Kong had rapidly increased to HK\$1.1 billion, accounting for 12 percent, rising from twelfth to fourth place.

3. During the 1960's the interior's trade with Hong Kong increased from HK\$1.306 billion in 1960 to HK\$2.734 billion at the end of the decade, an increase of nearly 100 percent, with an average annual growth rate of 9.08 percent; but this rate was less than the U.S.'s average annual growth rate of 19.61 percent and Japan's annual growth rate of 15.80 percent and was also less than the UK's 10.21 percent. In the 1960's the interior had lost its position as Hong Kong's largest source of imports, and exports of Hong Kong products to the interior barely amounted to HK\$7 million, accounting for only 0.1 percent of Hong Kong's exports.

4. The 1970's were a golden age during which the world economy grew extremely rapidly, and it was during this decade that Hong Kong achieved economic take-off, and



created the world-famous so-called "Hong Kong miracle." Although trade between the interior and Hong Kong was adversely affected by the Great Cultural Revolution, viewed overall, there was improvement; especially after 1976, there was a rather large increase. In 1979, the volume of trade between the interior and Hong Kong reached HK\$17 billion, 5.88 times the 1970 amount of HK\$2.89 billion. Although China's total volume of trade with Hong Kong was less than that of Japan and the U.S., Chinese exports to Hong Kong lagged behind Japan's, and imports to China held only fifteenth place. China's domestic economy began to follow a course of sound development, and trade between the interior and Hong Kong was given a new lease on life.

After briefly reviewing the historical process of bilateral trade development, we can draw two conclusions. First, China's interior has always been one of Hong Kong's main trade regions. Particularly in rankings of Hong Kong's sources of imports, China has maintained first or second position. The entry into Hong Kong's market of large volumes of foodstuffs related to the livelihood of Hong Kong residents, everyday necessities such as vegetables, fuel, and semifinished products urgently needed for industrial development is a basic element of Hong Kong's economic development. Second, over the past 30 years, trade between the interior and Hong Kong has been disrupted by non-technical factors, but it has inevitably continued to develop. Average annual growth for the past twenty years reached 9.08 percent and 20.07 percent. This phenomenon shows that trade between the interior and Hong Kong has strong vitality and cannot be obstructed by external factors.

The reason that economic ties between the interior and Hong Kong can still develop under unfavorable conditions does not lie just in superior geographical location and identical cultural traditions. An even more important reason is that cooperation brings huge economic returns. It is an objective economic law that commodities and capital flow to regions with the highest profits. From the standpoint of Hong Kong, it could not enjoy economic prosperity if its ties with China's interior were completely severed, to the extent that Hong Kong's very survival would become problematic. From the standpoint of the interior, Hong Kong is a window to the world for the sealed-off interior and one of its main sources of foreign exchange. For 27 years, from 1952 to 1979, the interior consistently enjoyed a favorable balance of trade with Hong Kong, with the estimated amount of the favorable balance reaching \$92.142 billion; additionally, there will be further increase in revenue from such things as overseas remittances, tourism, and earnings from investments in Hong Kong, and foreign exchange revenue from Hong Kong.

## II. A New Leap

After entering the 1980's, economic cooperation between the interior and Hong Kong reached new heights, and an historical transition emerged. These changes are reflected in the following aspects.

**1. The interior regained its position as Hong Kong's biggest trade partner.** In 1982, exports to Hong Kong reached the highest level in history, with a monetary value amounting to HK\$32.935 billion, accounting for 23 percent of Hong Kong's total import volume. This was the first time in 14 years that China's interior surpassed Japan and regained the top position in exports. In 1986, exports from the interior to Hong Kong again set a new record, with the export volume for the year amounting to HK\$81.63 billion, accounting for 29.6 percent of Hong Kong's volume of imports; while Japan's exports for the same year amounted to HK\$56.39 billion, accounting for 20.7 percent.

Hong Kong steadily increased its exports to the interior. In 1969, the numerical value of sales of Hong Kong products to the interior was next to nothing, barely HK\$7 million, ranking in 73d place. In 1979, it rose to 15th place, and gradually increased after 1980, finally rising to second place, second only to the U.S. The increase of Hong Kong's exports to the interior is a positive result of achieving market pluralization, and is the inevitable outcome of the contact between the two regions, and it will help counteract the effect of the developed countries' pursuit of trade protectionism.

Entrepot trade is thriving again. Hong Kong has long been well-known as a transit port, and after China's opening up to the outside world at the end of the 1970's, Hong Kong again received an opportunity to give full play to its role as a transit port. In 1979, the monetary amount of the interior's entrepot trade reached HK\$1.315 billion, 5.1 times the previous year's amount. In 1980, it rose to HK\$4.642 billion, 2.5 times the 1979 figure; in 1981, the volume of entrepot trade increased to HK\$8.044 billion, an additional increase of 73.3 percent; in 1983, it reached HK\$12.183 billion, a further increase of 52.4 percent; and it has increased every year thereafter. In 1986, the monetary amount of transit to the interior reached a total of HK\$40.93 billion, or 33.4 percent of Hong Kong's gross transit value of HK\$122.46 billion. The development of entrepot trade through Hong Kong is beneficial to the interior's expansion of product exports and bringing in of advanced equipment, and it is undoubtedly also a very strong impetus to the development of Hong Kong's economy.

Trade between the interior and Hong Kong (including imports, exports, and entrepot trade) is thriving overall, allowing the interior to again become Hong Kong's leading trading partner, and allowing Hong Kong to also become the interior's most important import and export market. The bonds of commodities closely link two separated regions of China, and this close relationship of mutual dependence is a solid foundation for "one nation with two systems."

**2. Direct investment has rapidly expanded.** Simultaneously with the rapid development of commodity trade, there has also been a constant increase of direct investment by the two regions. Hong Kong has consistently

been the most active participant in direct investment in the interior by foreign firms. According to statistics, from 1979 to 1984, out of 841 investment projects, Hong Kong accounted for 667; the total volume of investment was \$1.367 billion, of which Hong Kong accounted for \$829 million. Whether in terms of monetary amount or in terms of monetary amount or in terms of number of investment projects, Hong Kong holds first place.

Likewise, investment by the interior in Hong Kong has also made considerable headway, amounting to \$5 billion. Especially in manufacturing industry investments, the interior occupies third place, surpassed only by the U.S. and Japan. The interior's agencies in Hong Kong play an active role in stabilizing Hong Kong's economy and making it prosperous, and under conditions in which there is little desire to invest in the manufacturing industry, the interior's participation in Hong Kong's economic development will undoubtedly have a profound and lasting influence.

There are two aspects, domestic and foreign, to the main causes of the large-scale, rapidly developing cooperation between the interior and Hong Kong in the new period. Analyzing from the standpoint of internal factors, the implementation of opening up to the outside by China's interior has created conditions extremely favorable for cooperation between the interior and Hong Kong, and the governments of China and the UK reached an agreement on the 1997 issue, thereby smoothly resolving a problem left over by history and promoting further development of cooperation. Analyzing from the standpoint of international market factors, the emergence of trade protectionism and competition from developing nations have forced Hong Kong to adopt the policy of "looking north." It can be seen from this that the further stabilization and strengthening of cooperation between the interior and Hong Kong is the inevitable outcome of their traditional, inherent economic links confronting new domestic and foreign conditions.

### III. Future Patterns

The future pattern is the continuation and development of the present situation. In forecasting the basic pattern of economic cooperation between the interior and Hong Kong, we must first analyze some existing models of cooperation. Here we will discuss primarily certain phenomena which appear in division of labor.

**1. The model of combining a cheap labor force with abundant market experience.** Exports are the driving force behind Hong Kong's economy, and Hong Kong's products are primarily of the labor-intensive type. After 20 years of development, the average wages of Hong Kong's workers have increased tremendously, greatly weakening the competitiveness of Hong Kong's products. The inevitable choice for resolving this difficulty is to transfer time- and labor-consuming processes to the interior, first of all to the Pearl River Delta. In the past few years, the Pearl River Delta has had as many as

10,000 small-scale factories with a million workers engaged in processing for Hong Kong. This kind of vertically unified division of labor combining labor force with selling has produced results in the development of both Hong Kong and the interior, above all of Guangdong Province.

**2. The model of combining abundant resources with a high level of processing capability.** Hong Kong lacks resources, but has a well-developed processing capability, coordinated with imports of the interior's raw materials and primary-processed finished products, which has ensured the supply of basic materials for Hong Kong's manufacturing industry.

**3. The model of combining strong scientific research capability with effective management ability.** It is widely known that the interior has a fairly high level of scientific research capability, while Hong Kong is known for its strong managerial ability. By combining the two, they can promote their strengths and avoid their shortcomings, and form a relatively strong capability in product development and marketing. This kind of cooperation is still in the embryonic stage, but viewed from a long-term perspective, it is very promising.

Future economic relations between the interior and Hong Kong will display the special characteristics of multiple levels and multiple fields.

**1. Multiple levels.** At the first level, with Hong Kong (including the SEZ's) as the starting point, there will be gradual development from south to north and from east to west. In the next decade, Hong Kong will become the first station along the interior's route to the world. At the second level, a Chinese economic zone comprising the interior, Taiwan, and Hong Kong will be formed, with Hong Kong as intermediary. The forty-year suspension of economic relations between the interior and Taiwan is an abnormal phenomenon. In the past few years, however, through the efforts of both sides, there has been development of indirect trade through Hong Kong, and the entrepot trade which began in 1979 had reached \$427 million by 1984. In 1985, Taiwanese authorities announced that they would not interfere with entrepot trade, and entrepot trade rapidly grew to \$987 million, an increase of over 100 percent. It should be taken into account that, with the implementation by Taiwan of such measures as allowing visits to families on the mainland, indirect economic relations between the mainland and Taiwan will become possible. In addition, with the rise of the New Taiwan Dollar against the U.S. Dollar, it is very possible that Taiwanese capital will enter the mainland through Hong Kong and that a Chinese economic zone with Hong Kong as intermediary will gradually form during the 1990's. At the third level, the interior will use Hong Kong as a bridge to enter the great international circle. China's policy of opening up to the outside world has attracted firms from various countries and regions of the world, and the large volume of investment by foreign firms in Hong Kong in recent

years reflects their optimistic attitude toward the prospects for cooperation with China. Thus, Hong Kong will become a bridge by which various countries of the world enter China, and this bridge is also the best way for China to enter the world market, and participate in the international division of labor.

**2. Multiple fields.** (1) Visible trade is still the main area of cooperation between the interior and Hong Kong, and after a period of a relatively high level of growth, at the same time that the volume of trade is growing, the speed will slacken, while entrepot trade may continue to expand rapidly. (2) Hong Kong's position as an international financial center is advantageous to the interior in raising capital, while foreign banking in the interior will expand with the deepening of reform of the financial system, and Hong Kong, as the location of the regional headquarters of transnational banks, will profit from this. (3) The tourism industry will start to form a "gold route" from Hong Kong to the interior. Cooperation in the tourism industry will bring visible economic benefits to both sides. (4) Various forms of vertical and horizontal crisscrossing will emerge in production division of labor in the future. The three forms of processing and compensation trade form of cooperation, based primarily on labor force, will continue to advance from south to north, while the four-stage intersecting method of scientific research, development, production, and marketing will spread from Beijing to Shanghai.

Beginning in the 1990's, the two regions will implement various forms of cooperation in the area of production. This will be the basis of cooperation, while contact in the service industries (including finance, information, and the like) will certainly proceed even faster. In the 1970's, Hong Kong's first take-off changed Hong Kong's image; in the 1990's, Hong Kong may take advantage of favorable conditions in the international economic situation and opportunities offered by intensified reform and opening up to the outside world by China's interior, and achieve a second leap, the significance of which would be far greater than that of the take-off of the 1970's.

13387/7310

## AGRICULTURE

### Hebei Sets Limits on Fertilizer Prices

40060424b Shijiazhuang HEBEI RIBAO in Chinese  
9 May 88 p 1

[Article: "Hebei Commodity Price Bureau Announces Maximum Price Limits on Ammonium Hydrogencarbonate and Non-Quota Urea"]

[Text] To facilitate social control, prevent fertilizer price increases, and safeguard peasant interests, the Hebei Commodity Price Bureau recently issued a notice adjusting the maximum prices that may be charged for ammonium hydrogencarbonate produced within the province and urea sold outside the state plan.

### I. Maximum Prices for Urea Sold Outside the State Plan:

A. Within Hebei's procurement plan for high-priced fertilizer, the price to provincial supply and marketing cooperatives will be 625 yuan per ton for urea produced at the Cangzhou Fertilizer Plant and 605 yuan per ton for urea produced at the Shijiazhuang, Qian'an, and Handan Fertilizer Plants.

B. Factories may sell urea not included in Hebei's high-priced urea procurement plan to prefectural, county, and grass-roots level supply and marketing cooperatives at the price of 645 yuan per ton for urea produced at the Cangzhou Fertilizer Plant and 625 yuan per ton for urea produced at the Shijiazhuang, Qian'an, and Handan Fertilizer Plants.

C. Factories and supply and marketing cooperatives selling to peasants will implement the province's uniform maximum retail price. Urea produced in the Cangzhou Fertilizer Plant will sell for 705 yuan per ton and urea produced at the Shijiazhuang, Qian'an, and Handan Fertilizer Plants will sell for 685 yuan per ton.

### II. Maximum Prices for Ammonium Hydrogencarbonate

A. For ammonium hydrogencarbonate produced within Hebei, the maximum producer price that fertilizer plants may charge county-level supply and marketing cooperatives will be 210 yuan per ton. Ammonium hydrogencarbonate sold directly to grass-roots level supply and marketing cooperatives based on the distribution plan will carry the allocation price that the local commodity price bureau sets for county supply and marketing cooperative sales to grass roots cooperatives, plus miscellaneous delivery fees or shipping subsidy charges.

B. The maximum retail price limit that grass-roots level supply and marketing cooperatives may charge peasants for ammonium hydrogencarbonate produced in a county will be 235 yuan per ton. Factories that sell direct to peasants will apply the same price that grass-roots level supply and marketing cooperatives employ in selling to peasants, but they will add miscellaneous delivery fees or shipping subsidy charges.

C. Individual fertilizer plants in which production costs for ammonium hydrogencarbonate exceed 200 yuan per ton, even those that primarily do business with county-level supply and marketing cooperatives, can, after the prefectural or municipal commodity price bureau verifies those costs, appends its comments, and signs its approval, report special maximum producer and retail price limits to the Hebei Commodity Price Bureau.

D. In principle, supply and marketing cooperatives that bring in ammonium hydrogencarbonate from outside the county, or who produce it themselves, should implement maximum prices as above. However, when there

are problems, they can apply the principle of charging the purchase price plus expenses and a minimal profit. They must report the allocation and retail prices they set to the local (prefectural, municipal, or county) commodity price bureau.

The above prices were examined and approved by the Hebei People's Government, and took effect on 1 April 1988. Local areas and producing and selling enterprises or units have no power to change them.

12510

**Vietnam Challenges Beijing's Claims to Spratleys**  
*42100009d Hanoi TAP CHI CONG SAN in Vietnamese*  
*No 4, Apr 88 pp 16-20, 36*

[Article by Le Minh Nghia, deputy director of the Border Department of the Council of Ministers]

[Text] Since late January 1988, many Chinese warships have conducted regular operations near Vietnam's Truong Sa [Spratley] Archipelago. Chinese troops have illegally occupied Chu Thap, Chau Vien and a number of other coral reefs. Vietnamese sailors were killed and Vietnamese freighters sunk in their motherland's territorial waters. The Chinese authorities brazenly call these operations "routine activities" and claim that Truong Sa and Hoang Sa [Paracel] Archipelagoes are under their control.

**What Is the Truth?**

It must be seen that the Chinese authorities have left no stone unturned in an attempt to support their ambition with legal documents. Nevertheless, their pieces of evidence all failed to meet the norms of international law and proved to be false.

According to present-day international law, territorial possession has legal value only when it involves possession and exploitation by a state itself. Moreover, this possession must be real and not just in name. Real possession means continual presence and concrete actions to exercise one's sovereignty. International law recognizes a nation's sovereignty only if this sovereignty is established through peaceful and legal means. All attempts to use violence or illegal means to establish one's territorial sovereignty are unacceptable.

The Chinese authorities' weakest point is that they can in no way prove when they began their occupation of "Xisha" (Hoang Sa) and "Nansha" (Truong Sa) and how they had actually exercised their sovereignty over these two archipelagoes.

After strenuous research through countless historical documents and books, the Chinese authorities could only come up with four incidents in nearly 900 years to prove that they had actually exercised sovereignty over these two archipelagoes. Unfortunately, three of the four incidents have nothing to do with the two archipelagoes. As for the incident involving the landing of troops on a number of islands of the Hoang Sa Archipelago in 1909 from two Chinese gunboats at the order of the authorities in Guangdong, this was but a momentary action because the troops left after an overnight stay there. Moreover, the incident occurred when the Hoang Sa Archipelago was already owned by Vietnam, then under French control. It can be said that this incident marked

the first attempt by the Chinese authorities in Guangdong and Guangxi Provinces to annex the Hoang Sa Archipelago. How can it be said that this incident is evidence of the Chinese authorities' real possession of the Hoang Sa Archipelago?

Before the beginning of the 20th century, no country—China included—had shown any reaction to Vietnam's occupation of and control over the Hoang Sa and Truong Sa Archipelagoes. We have sufficient proof meeting the norms of international law to prove that Vietnam occupied the Truong Sa and Hoang Sa Archipelagoes when they were not owned by any countries and that Vietnam has continually exercised her sovereignty over these two archipelagoes.

Up to the beginning of the 20th century, it was said (and even drawn in maps) in many official or semiofficial Chinese documents that China's territory extended no farther than Hainan Island. The "Great Qing Empire, Complete Work" map, published in 1905 and re-edited in 1910, put China's southernmost point at Hainan Island. The "Chinese Geographical Book," published in 1906, said: China's southernmost point is located at Chau Nhai, Qiongzhou (otherwise known as Hainan), at 18.13 degrees north parallel.

During the twenties and thirties, the Chinese Kuomintang authorities began claiming sovereignty over the Hoang Sa Archipelago. Yet, they turned down the French authorities' proposal that the issue be brought before an international arbitration court for settlement. After World War II, they dispatched troops to occupy part of the two archipelagoes and then pulled them out.

The PRC officially claimed sovereignty over the two archipelagoes in Foreign Minister Zhou Enlai's statement dated 15 August 1951, which said: "Just like the Nam Sa, Trung Sa and Dong Sa Archipelagoes, the Tay Sa (Hoang Sa) Archipelago and the Nanwei Island (Truong Sa) have always belonged to China's territory."

In 1956, the Chinese authorities sent troops to occupy the eastern part of the Hoang Sa Archipelago. The incident occurred after the Saigon administration's failure to dispatch troops in time to replace the French troops there. Meanwhile, Taiwan also committed troops to occupy Ba Dinh Island of the Truong Sa Archipelago.

In 1959, Chinese troops attempted a landing on a group of islands in the western part of the Hoang Sa Archipelago. Eighty-two men and five armed vessels (disguised as fishing boats) were captured by the Saigon administration.

In January 1974, with the tacit agreement of the United States, the Chinese authorities dispatched troops to occupy the rest of the Hoang Sa Archipelago at the very moment Vietnam was concentrating her efforts on fighting off the U.S. imperialists. Ever since then, the Chinese authorities have tried by all means to consolidate and

turn Hoang Sa into a military base. They have just decided to reorganize Hainan Island into a province with Vietnam's Truong Sa and Hoang Sa Archipelagoes being incorporated into the list of "districts" of the new province.

The reorganization of Hainan Island was carried out in a constitutional way in compliance with China's legislative procedures. Extensive propaganda has also been conducted in a bid to advertise Hainan's open policy aimed at promoting economic development. The truth is that, under the cover of openness, the Chinese authorities are striving to develop Hainan into an economic facility and a military base strong enough to be used as a stepping stone for implementing their dark scheme aimed at controlling the Eastern Sea, thus posing a threat to peace and security in the region. Faced with this dark scheme, the neighboring countries and other world nations, being very alert, have always been on the lookout.

From the first official claim of sovereignty over Hoang Sa and Truong Sa in 1951 to the encroachments on these two archipelagoes in 1974 and 1988 respectively, the Chinese authorities have, over the past 37 years, acted very persistently and consistently. What have they tried to do? They have tried to carry out the policy of expansion and hegemony toward the Eastern Sea and even the Pacific, a fact fully and openly admitted in a famous statement by Chairman Mao Zedong at the conference of the CPC Central Committee Military Commission in 1958 as follows: "Actually, there is no peace in the Pacific now, nor will peace come in the future unless this ocean is put under our control."

Regional and world public opinion has seen the true color of expansionism and hegemonism. The Chinese authorities claim that the two archipelagoes have always belonged to them, that "China's sovereignty has been universally recognized," and that this part of their territory was illegally occupied by France and Japan. Why is it that three international conferences were held during and after World War II where the question of occupied territories was raised, but none of these conferences recognized China's sovereignty over these two archipelagoes? Besides, China attended two of these conferences in her capacity as one of the powerful allied countries!

The first conference in Cairo in November 1943 was attended by the state leaders of the United States, the United Kingdom and the Republic of China. Neither France nor Vietnam were present at the conference to protect their sovereignty. Nevertheless, the Cairo declaration asserted: "All the territories Japan has stolen from the Chinese, such as Manchuria, Formosa and the Pescadores, shall be restored to the Republic of China." The agreement made no mention of China's sovereignty over the Hoang Sa and Truong Sa Archipelagoes.

At the Potsdam Conference in August 1945, the document signed by the leaders of the United States, the United Kingdom and China on 26 July reaffirmed: "The terms of the Cairo Declaration shall be implemented."

The San Francisco Conference in 1951 with the participation of 51 countries to sign a peace treaty with Japan also affirmed: Japan shall return Formosa and the Pescadores to China. Meanwhile, the agreement made a separate mention of Truong Sa and Hoang Sa and affirmed that Japan had to renounce her claim of sovereignty over these two archipelagoes.

It is worth noting that the Chinese side hoped that its statement dated 15 August 1951 would have an impact on the decision of the San Francisco Conference. Yet, China failed in her attempt to do so. Meanwhile, Tran Van Huu, of the delegation of the state of Vietnam at the San Francisco Conference, "asserted the long-standing national sovereignty of Vietnam over the Truong Sa and Hoang Sa Archipelagoes." This statement raised no objections nor reservations from any country.

Thus, under the provisions of the San Francisco Conference, just like the restoration of Formosa and the Pescadores to the Republic of China, Hoang Sa and Truong Sa shall be restored to Vietnam following Japan's occupation of these two archipelagoes through the use of force.

These were three official international conferences of legal value. None of them said that the two archipelagoes were under Chinese sovereignty. So, some specialized organization must have convened a specialized conference to distort the truth. Therefore, the conclusion of such a conference had no legal value. The decisions reached by specialized conferences definitely do not mean recognition or rejection of territorial sovereignty. This is a part of international law and practices.

The Chinese authorities have quoted a number of maps, books and printed materials published by China and other countries, Vietnam included, to back up their claim.

The important point here is whether these arguments are based on international law or not. According to the Chinese authorities, it could be that in the course of drawing maps or compiling books and other printed materials, cartographers or groups of cartographers might, intentionally or unintentionally, or simply by mistake, change a few details of their projects and thereby transfer part of the territory of one country to another one!

No! This is something totally inconsistent with international law and practices. This really means underestimation of public judgment. Arbitrators all over the world know too well that when it comes to settling conflicts, all sides concerned try to quote maps and documents, including the ones compiled from unfounded sources or even fabrications, in such a way as to benefit their claims. Therefore, arbitrators always exert utmost caution before reaching conclusions. In some cases, they altogether disregarded the value of some maps no matter how numerous and highly valued these publications were. These are historical facts.

Of course, there are maps with legal value. These include the ones recognized by the signatories or the ones attached to international agreements. As an example, let's cite the map attached to the San Francisco Agreement in 1951, which clearly indicated that Formosa and the Pescadores belonged to the Republic of China and just left the sovereignty over Truong Sa and Hoang Sa "undetermined." This was something unacceptable to Vietnam. Yet, at least, this is proof that China's sovereignty over the Truong Sa and Hoang Sa Archipelagoes has not been recognized by any international legal documents.

China has on many occasions cited Vietnam's note in 1958 regarding China's 12-nautical-mile territorial waters and the statement in 1965 of the Vietnamese government protesting the United States' delimitation of the fighting zone of the U.S. armed forces in Indochina. On the strength of these two documents, China holds that its sovereignty over the two archipelagoes has been recognized by Vietnam itself.

What is the real meaning of the above-mentioned documents?

In its note dated 14 September 1958 to China, Vietnam acknowledged and supported China's 12 nautical mile territorial waters. Except for Vietnam's pledge to comply with China's 12-nautical-mile territorial waters, the note made no mention of China's sovereignty over the Hoang Sa and Truong Sa Archipelagoes.

During the anti-U.S. national salvation struggle, China was the "trustworthy rear [area]" of the Vietnamese people. Therefore, in its statement in 1965, the Vietnamese government expressed the desire to firmly maintain and further consolidate the solidarity between the two countries for the sake of the vital interests of the Vietnamese people and the common anti-U.S. war of resistance. The statement was not meant to be a recognition of China's sovereignty over part of our national territory. Moreover, the statement was made at a time when the two archipelagoes had not been put under the direct control of the people's administration. After 1954, under the terms of the Geneva Agreement, South Vietnam was put under the control of the Saigon administration. Therefore, on the strength of legal documents and common practices, the two archipelagoes were put under the direct control and protection of the Saigon administration and later on, the Provisional Revolutionary Government of the Republic of South Vietnam.

Thus, it is crystal clear that the contents of the above mentioned documents were very precise and did not imply any transfer of territory, which is always accompanied by negotiations and agreements signed by the authorized representatives of the two governments. Moreover, these agreements must be ratified before they can go into effect. The Chinese authorities are well aware

of this fact, yet they have deliberately acted according to their own hegemonistic ambitions. World public opinion knows all too well the true nature of this issue.

To form a theoretical basis for its expansionist and hegemonistic policy, first of all toward the Eastern Sea, China has invented a highly "modern" border doctrine which was introduced in the 3 April 1987 issue of the Chinese newspaper LIBERATION ARMY DAILY. According to this newspaper, China makes a distinction between two concepts: geographic border and strategic border. Geographic border is delineated on the basis of internationally recognized national territory and the corresponding territorial waters and air space. Strategic border reflects the aggregate strength of a country.

China holds that if a country cannot exercise effective control over all of its territorial waters and air space, its strategic border shall, for a long period of time, be less extensive than its geographic border. Thus, the geographic border shall be moved back to the strategic border, and that country shall lose part of its territory. On the contrary, any country capable of exercising effective and permanent control over its strategic border, especially on land and at sea, that extends beyond its geographic border, may expand its geographic border.

China says it must move its "national gate" from its geographic border to its strategic border. It contends that since "its natural resources on land are limited, it must grab a larger living space!"

According to China's reasoning, the strategic border guarantees several things, namely living space, security space and space for scientific-technological and economic development.

What is the true nature of the new border doctrine mentioned above? Setting aside all complicated arguments, this doctrine clearly reveals the advocacy of expansion by force.

Reading carefully the reasoning of Chinese military strategists, one cannot help but see that their strategic border doctrine is a logical extension of the "three-worlds" doctrine, which serves as the theoretical basis for the strategy of global expansion, and that the border doctrine serves as the theoretical basis for the border expansion doctrine—first of all, expansion of territorial waters.

It is fair to say that China has a tradition of theoretical development, but such theories as the "three worlds theory" and the "border doctrine" are heavily tainted with chauvinism, reek of expansionism and are extremely outdated. These are but a jumble of preposterous arguments. Having already suffered from Hitler's "lebensraum" doctrine, mankind now cannot but be worried by the newly invented ideas of the forces that are hell-bent on the path of hegemonism.

Along with its high-handed military activities in the Eastern Sea, China's promotion of its border doctrine is again casting a dark shadow in the skies of Indochina and Southeast Asia. In a world that is ever undertaking changes in accordance with the trends of dialogue and detente, China's words and deeds are, as a matter of fact, extremely isolated.

Faced with the Chinese authorities' outdated gunboat policy, Vietnam has persistently pursued its policy of using dialogue and negotiation to solve unsettled problems, including the debate over the two archipelagoes. We sincerely wish to restore the long-standing friendship and good neighborliness between the Vietnamese and Chinese peoples. Therefore, it is very easy to understand why broad segments of the world public opinion have promptly given sympathy and support for Vietnam's good will. World public opinion has also demanded a favorable response from the Chinese side.

So far, the Chinese authorities have stubbornly stood by their position as a "world power" and rejected all of Vietnam's peace initiatives. They have continued to swim against the tide and to turn their back on the trends of development in this era by resorting to force to turn the Eastern Sea into their own lake in a bid to implement their expansionist scheme. As a result, the situation in the Eastern Sea is still very complicated. It is necessary for our armed forces and people to watch the Chinese authorities closely and to heighten our vigilance in the face of their hostile and warmongering acts. We are determined to mobilize all our forces to defend the fatherland's sacred sovereignty.

7809

### Reportage on Strategic Rocket Force

#### High Live-Fire Success Rate

40050410 Beijing JIEFANGJUN BAO in Chinese  
4 Jun 88 p 1

[Article by Guo Qingsheng 6753 1987 3932, and reporter Gu Boliang 7357 0130 5328: "2d Artillery Corps' 5-Year Live-Fire Success Rate Reaches 96 Percent"]

[Text] The 2d Artillery Corps [China's Strategic Rocket Force], which controls strategic missiles, with good military quality has written a glorious page in the history of China's missile launching. At the 2d Artillery Corps' meeting to exchange experiences in training reform, which ended on 20 May, reporters learned: In the last 5 years, the live-fire success rate for all types of missiles reached 96 percent, and fire accuracy was at an all-time high. This record indicates that the 2d Artillery Corps, this high-tech force, had entered a new stage in the use of its weapons and equipment.

Live fire is an important part of the military training of a strategic missile force, and it possesses a very strong comprehensive nature. Thus, for the force's skills, coordination, and command, its demands are high and its degree of difficulty is great. Why is it that in recent years in its live firing of missiles has the 2d Artillery Corps been able to obtain this marked success? The responsible comrades of the Military Training Department of the 2d Artillery Corps concluded that, first, after the strategic change was made in the guiding ideology for building the armed forces, leaders at all levels in the 2d Artillery Corps profoundly recognized the deterrent image of the strategic missile force in the period of peace and its important effect on peaceful diplomacy. With the idea of "maintaining an army for a thousand days to use it for a thousand days" to encourage all of the officers and men, we insist on putting military training in a strategic position. Especially in the past 2 years, all units have correctly handled the relationship between military training on the one hand and production, business, and other work on the other hand, thereby insuring the implementation of training. Second, during training all units give prominence to the characteristics of high-tech units and conduct technical basic training in a solid manner. They also adopted the forms of on-post troop training, multicapability training, and technical demonstration contests. All of this is done in order to lay a foundation that is reliable, dependable, and perfectly safe. Third, in the past 5 years the units of the 2d Artillery Corps have organized a total of more than 120 combined arms exercises of varying scales. There have been many new developments in the topics, contents, methods, and results of the exercises, and the units' operational capability has been improved. Fourth, after several years of hard work, all units have initially formed a military command contingent that possesses solid basic theory, that is able to control modernized weapons and equipment, and that possesses a fairly high level of command; a technical backbone contingent that has a wide range of specialized knowledge and perfectly mastered techniques and that is able to make the final decision on key technical questions; and a noncommissioned officer contingent that is of good quality, has a perfected work style, and operates with proficiency—all of which have become the backbone forces for the units' training.

Live missile firing is the concentrated embodiment of the results of the units' training, and is also the best test of all reforms and all results of scientific research. All units of the 2d Artillery Corps, when organizing live firing, pay attention to integrating training reform, scientific research, and campaign and tactical exercises, thereby improving the overall results of live firing. In the past 5 years 15 items, including shortened-time firing, mobile firing, and automatic testing, have been tested and perfected during firing. At the same time, through setting up complex situations and adding items to be tested during firing, the units have been tempered in their ability to meet emergencies and in the capability for overall operations.



### Better Trained Commanders

40050410 Beijing JIEFANGJUN BAO in Chinese  
10 Jun 88 p 2

[Article by correspondents Shi Zhibao 4258 3112 1405, and Zhang Jiajun 1728 1367 6511: "A Group of Combined Arms Talents Show Themselves"]

[Text] In the last part of May, we writers saw at an exhibit on the teaching results achieved by the 2d Artillery Command College that in recent years this college has made bold reform in its teaching content in order to meet the needs of the modernization of 2d Artillery Corps units and of future wars. The college has focused on the curricula system for training combined arms command talents, with the result that a group of combined arms talents with a wide range of knowledge, a familiarity with the specialties in the 2d Artillery Corps, and a strong consciousness of combined arms have showed themselves. The college's experiences in teaching reform have been commended by the leaders of the relevant professional departments in the PLA General Staff Department.

The college is charged with the task of training military, political, logistics, communications, and engineer command officers for the strategic missile units. In view of the characteristics of these units, namely, a high degree of modernization, a large number of special types, a strongly integrated nature, and a wide area of coordination, the college's party committee reformed the educational pattern for the separate training of the various types of command officers. Taking the whole world in view, they conscientiously absorbed the experiences of combined arms training in foreign military colleges and schools. They decided to give prominence to command characteristics and to enhance the new idea of running a school by permeating it with all specialties and of training combined arms talents.

Centering on this idea for running a school, since 1984 they have made three major reforms in the traditional teaching content. They have also initially formed a curricula system with military theory, political theory, and scientific education as its foundation and with combined arms command as its nucleus. First, they enhanced the overlapping and permeating nature of all types of command specialties in military affairs, political affairs, logistics, communications, and engineering. For example, in the military command specialties, under the premise of making military command courses primary, courses are offered in political work, logistics management, communications, and support. Similarly, along with the political, logistics, communications, and engineering command specialties, relevant courses in other command specialties are offered. These command courses account for 30 percent of the class hours in the current specialties, and they enhance the permeating nature of all specialties. Second, centering on the level of astuteness and resourcefulness of combined arms talents and their capability for strategic decision making,

they worked hard to reflect in the teaching the characteristics of combined arms command. They cut out 50 percent of the old courses, which were unsuitable for combined arms command, and added 20 new courses, including nuclear strategy, systems engineering, modern management, and missile mathematics. They compiled by themselves more than 300 kinds of new teaching materials and set up more than 20 elective courses. Third, they reduced the instruction time and strengthened the practical links in combined arms command training, in order to improve the capability of the students to coordinate specialties and to organize combined arms tactical training. In recent years, besides organizing the students to conduct live training with real equipment and to carry out unit acting-post fieldwork, they have developed a large number of accessory items with which, for each command specialty, the students are provided with in order to conduct group assignments and joint tactical exercises, such as a missile brigade tactical training simulation system, a missile battalion combined arms tactical training simulation system, and a communications tactical training simulation system. Thus they made the students, in an environment approximating actual combat, train in command, tactics, and combined arms; personally find out through experience, under conditions of modern warfare, the characteristics in using modernized instruments of command to command operations; accelerate the process of turning knowledge into capability; and enhance their consciousness of combined arms command.

After the college put into practice the new curricula system, the striking superiority of this system was demonstrated. The great number of students broadened their field of vision, enlivened their thinking, enlarged their range of knowledge, and enhanced their combined arms consciousness. With regard to their command capability, a follow-up investigation conducted by the 2d Artillery Corps Headquarters showed that after students who had graduated from this college were posted to the units they quickly met the requirements of their new work. The command capability of 70 percent of these comrades is fairly strong, and 80 percent of them have received in their units citations of merit and awards. Some of them have been given honorary titles by the PLA and the 2d Artillery Corps, and more than 250 of them have been assigned to leading posts in armies, divisions, brigades, and regiments. Because graduate Ge Dongsheng [5514 2639 0581] was fairly familiar with all specialties and was highly dexterous and skilled in combined arms command, after being posted to a unit he very quickly opened up the work situation. As an outstanding commander he was promoted to be the deputy commander of a certain unit.

### Tactical Simulation Network

40050410 Beijing JIEFANGJUN BAO in Chinese  
27 Jun 88 p 1

[Article by Shi Zhibao 4258 3112 1405: "Making a Thing and Then Using It"]

[Text] The software package for underground project construction blueprints, which was developed by the 2d Artillery Command College and which is of advanced

standard in China and abroad, is now being popularized in all engineering units in the 2d Artillery Corps. As of now, of the 54 scientific research results that this college has achieved over the past 3 years, which have all been put to use in the college's teaching and the units' training and which are used in advanced means of construction, 21 have separately won national, all-PLA, and 2d Artillery Corps prizes.

Over the past several years, the 2d Artillery Command College has made difficult points in unit modernization and training the focus of its scientific research. For every project there now must first be a widespread investigation and study from the angle of seeing whether it would be suitable for popularization, and the relevant experts inside and outside the college must make "three check-ups" on the necessity and feasibility of the project in order to confirm that the project can be put into practical use, thereby striving to "make a thing and then use it." For example, when developing the "missile launch battalion combined arms training simulation system," from first to last they based themselves on being able to replace live soldiers and real equipment in the independent carrying out of combined arms training with launching as the principal part, and also being able to use in a joint network the "missile brigade tactical training simulation system," which won an award, first class, at the all-PLA simulation equipment exhibition and a state award, third class, for scientific and technological progress, in carrying out tactical exercises at the two levels of brigade and battalion. After 10 months of multidiscipline, laterally intersecting joint tackling of key technical problems, they finally obtained success. Experts inside and outside the PLA deemed the network to have "opened a new way of training commanders that will lead to tremendous military and economic benefits." After being certified the joint network was put together in only 2 months and has become an advanced means of teaching middle-level command specialties in the carrying out of joint tactical exercises.

#### **Widespread Training Simulation**

40050410 Beijing JIEFANGJUN BAO in Chinese  
30 Jun 88 p 1

[Article by Chen Dechun 7115 1795 2504 and Li Hong 2621 1347: "Training of Missile Units at Brigade Level and Below Basically Becomes Simulation Training"]

[Text] Following in the wake of the Army, Navy, and Air Force, in developing modernized simulation training equipment the 2d Artillery Corps units have made progress of a breakthrough nature. By the last part of June, the 2d Artillery Corps had developed, and also popularized and applied, 117 sets of modernized simulation training equipment that possesses the characteristics of missile units. After these sets of equipment were universally popularized and applied, the units (fendui) of the 2d Artillery Corps at the brigade level and below have basically made the various kinds of simulation

training, from individual pieces of equipment and items to comprehensive pieces of equipment and items, and from the technical to the tactical.

The weapons of strategic missile units are advanced, complex in structure, and expensive to manufacture. The service life of some pieces of equipment is extremely short. For many years this fact has caused the 2d Artillery Corps many difficulties and limitations in military training. After the strategic change was made in the guiding ideology for building the PLA, the leading organizations of the 2d Artillery Corps, in order to more swiftly raise the level of modernized training in the units and to lower the level of training consumption, vigorously strengthened the work of developing various kinds of modernized, advanced simulation equipment. Proceeding from the actual situation in and the characteristics of strategic missile units, they absorbed the useful experiences of the Army, Navy, and Air Force in developing simulation training equipment. They adopted the method of tackling key technical problems in which there was a unified plan, a concentration of forces on key development, and an integration of the units' division of work, coordination, and development. In the process of development they upheld the principle of laying equal stress on the scientifically advanced and the economically suitable. After 4 years of constant hard work, they initially completed the development work for the specialized technical and tactical training simulation equipment for the various missile types and the specialized training simulation equipment for the corresponding operational support, all of which are now on active service. Of them, the specialized technical training simulation equipment for the principal types of missiles with which the units are equipped are all in complete sets, and by using them instead of real equipment the training in the entire missile launching process can be completed indoors. In the tactical training field, the simulation training for two levels—the launch battalion and the missile brigade—has been completed, and various kinds of comprehensive training drills can be carried out by units (fendui) at the brigade level and below. The training simulation equipment that has already been developed and produced, after being certified by experts, has attained China's advanced standard. Among this equipment four sets have separately won awards from the state and the armed forces for scientific and technological progress.

After a large group of simulation training equipment possessing a high degree of simulation was put into use, they clearly reduced the 2d Artillery Corps' dependence in training on real equipment, and they promoted the workability of the corps' training. In the past some restrictions on weapons and equipment, such as number, service life, and consumption expenses, limited the training and made it difficult to initiate training. Now the training, based on need, can be fully and solidly initiated, thereby creating good conditions for the 2d Artillery Corps to raise its training and operational levels. In particular, the content of a large number of

tactical training topics set up by integrating tactical training simulation systems with reality, has put commanders at all levels in an environment and atmosphere approximating actual combat, where they judge and deal with various situations and effectively improve their operational command capability.

09727

### Developments in Reserve Forces

#### Improvement in Lanzhou MR

40050407b Beijing JIEFANGJUN BAO in Chinese  
25 Jun 88 p 2

[Article by Zhang Chi 1728 7459: "Reserve Forces in Lanzhou MR Make Gratifying Progress After Trying Experiences"]

[Text] The situation of "having no barracks, no equipment, and no training areas" for reserve forces in the northwest has undergone a basic change. During 3-7 June a work group from the general staff conducted an inspection tour of the Lanzhou, Xianyang, and Xian areas, the group reported that all reserve divisions and regiments now have "training barracks, dining halls, storehouses for vehicles and weapons, classrooms, collections of materials, training areas, acoustic simulators, and firing ranges." The reserve cadre and soldiers have gradually attained the basics of training and become regularized, with 90 percent being up to standard and 40 percent attaining superior results.

Reporters that went along during a visit to a AAA division in Lanzhou saw a newly constructed training center, a new dormitory, and modern storage facilities for vehicles and weapons, these improvements filled what was once a deficiency. This division's tactical training range can simultaneously conduct 100 to 400 meter obstacle training, engineer exercises, individual tactical training, and live fire. In the combat control room that has an electric sandtable and an air intelligence simulator, the plans for combat, fire sequences, and enemy air attack methods are all automatically displayed. The various graphs and information are controlled by a microprocessor that can provide necessary information at any time. From video tapes taken of these reserve divisions and regiments it can be seen that they have their own barracks, many offices, and rooms for operations, reference, and meetings. They have set up various rules, regulations, and work responsibilities, drawn up combat mobilization and maintenance plans, and ensured that work, training, and daily life are conducted correctly. Deputy Division Commander Gao of a reserve division in Xianyang stated that multipurpose training bases that have complete equipment, photoelectric simulators, and automatic display facilities have created conditions that improve the quality of training. Three groups of military specialists and technicians that went through combined training at these bases had over 90 percent reach a standard rating. At a AAA

firing range reporters viewed and reported on a demonstration by a AAA battery comprised of personnel from the Silver and Nonferrous Metal Company. Fifty three cadre and soldiers wearing the chest insignia of the reserve forces skillfully operated six type 37 AAA pieces and burst free floating colored balloons one after another. This caused some active duty cadre viewing the demonstration to praise them by saying "we would not have believed it! Their facilities and training are equal to those of active duty units."

Gratifying results through trying experiences. A leading comrade of the Lanzhou MR told of the inspiration provided by their reserve units going through a 5-year falling-off period. Three years ago, due to the effect of grandiose projects, and stress being put on urgent needs resulted in insufficient funds being "spread like pepper" and used for low-level training like loosely organized guerrilla warfare, except for a few score of cadre you could say they didn't have anything. The existence and development of reserve forces were facing severe difficulties. In September 1986 centering on the problem of how to handle the strategic reform of reserve forces, the Lanzhou MR reformed its guiding ideology for work and broke free from the state of urgently needing to build up. The MR reduced its scope of operations, conducted overall adjustment, stressed main points, strengthened its grass roots development, and in less than 2 years progressed by leaps and bounds.

#### New Reserve School

40050407b Beijing JIEFANGJUN BAO  
in Chinese 14 Jun 88 p 1

[Article by Zhang Baoyin 1728 1405 0603, and Jin Xiangjiu 6855 4382 0036: "Da Hinggan Ling Establishes a Vocational School for Reservists"]

[Text] A new type of "local military school" the Jagdaq Reserve Soldier Vocational School was officially set up last month in the Da Hinggan Ling Prefecture. A first time group of 298 students entered the school in high spirits to start 3 years of military life. From now on high quality and highly skilled groups of soldiers will be sent from here out to units.

Since this school was jointly established by the Jagdaq Education Bureau and the armed forces, its aim will be: "to center on economic construction and conduct education in national defense concepts and training in military affairs through systematic vocational education. To train personnel that are technically proficient, knowledgeable in military affairs, disciplined, and have an overall education in morals, knowledge, the organization system, the arts, and labor in order to reduce the effort and time units spend on training personnel to be proficient in two jobs, and to send units specialized and skilled high quality soldiers." The operating funds for the school will come from income generated by militia labor, and animal raising the prefecture's education funds, and profits from the school's dining hall, barber

shop, and various specialized workshops used in training of students. Methods of admitting students are: If under 17 years old they must be a junior middle school graduate; be enrolled by passing a unified test; have a grade point average above the normal vocational high school average; recruited based on a soldier application, physical checkup, and achievements in studies; 3 years in the school system; and by established scholarships and those who have been given awards as outstanding students. The school offers courses in politics, language, mathematics, physics, chemistry, and history. Mathematics is conducted in accordance with the (advanced vocational middle school outline). The school also offers special courses in computers, machine repair, vehicle operation, and telegraph, these classes are conducted in accordance to requirements in the school's (special technical training outline). Military courses are offered in military drills, range fire, military topography, tactical training, and communications in accordance with the (militia military affairs outline). The school operates a dining hall, barber shop, carpentry shop, and does retail sales for machine repair that provides its students with a place to practice. After 3 years of study graduates should have reached a senior middle school education level, be up to standard in their study of military affairs, and have attained a special technology level from between a level 2 and level 3 worker. The graduates will be given a senior middle school diploma by the prefecture's Education Bureau and the Peoples Armed Militia will award them a militia and reserve forces training certificate of completion. These graduates will have preference for service in active duty over youths in the same circumstances. The others can be put in the primary militia or serve in the reserve forces. Preferential consideration will be given to the arrangement of work for graduates. The school is organized by companies, platoons, and squads, the students wear army type uniforms, wear school badges, and live a military life throughout the day.

The Jagdaqi Reserve Soldier Vocational School was formed on the basis of a former vocational senior middle school. This has been a profitable attempt in the work to reform and strengthen the national defense reserve forces. The establishment of this school received special attention from the provincial committee, provincial government, and military district. It was also supported by the great numbers of young students and their parents.

12223

**Navy Makes Missiles Primary Means of Attack**  
40050409a Beijing RENMIN RIBAO (OVERSEAS  
EDITION) in Chinese No 6, 19 Jun 88 pp 3-4

[Article by Shen Shungen 3088 7311 2704: "Missiles Become Our Navy's Principle Attack Force"]

[Text] Information provided by the Navy's Equipment and Technology Department shows that the Chinese Navy is being "missilized" rapidly, that the models and categories of missiles are complete, and that many kinds

of objects have been equipped with missiles, thereby making missiles basically the principal attack force. On China's long coastline, coastal missiles are deployed at all strategic points; bombers carrying various types of missiles patrol the sea and the air; one formation after another of guided missile craft, guided missile escort ships, and guided missile destroyers shuttle back and forth on the billowing sea; and guided missile submarines cruise without letup in the depths of the high seas. The Navy's missile units are building the motherland's coastal areas and territorial seas into a great wall of steel.

Development of the Chinese Navy's missiles began at the end of the fifties. Starting with being copies of Soviet-made missiles, the missiles have been constantly improved, strengthening the electronic countermeasures capability of the missiles and improving their low-altitude penetration capability. The Chinese Coastal Defense Guided Missile Research Institute has been set up, and comparatively complete development and production lines and testing ranges have been formed. At the same time, the units that use and test missiles have been trained and tempered, and they have also been equipped with China's first antiship guided missile series.

At the beginning of the seventies, the development of the Chinese Navy's missiles began to switch to the self-design and trailblazing stage. From the single shore-defense type, the missiles have gradually developed into complete categories of shore-to-ship, ship-to-ship, ship-to-air, air-to-ship, and submarine-to-ship missiles, thereby forming China's own naval missile defense system. For example, the antiship missile, which many countries call "China's Exocet," can be fitted on both surface ships and submarines. It can be attached to aircraft and can also be carried by vehicles that move and fire on land. It can skim over the sea and can be launched by sector. Under complex conditions it possesses a fairly strong penetration capability and a fairly high probability of hit; in many test-firings it made direct hits on the targets.

The Chinese Navy now not only has tactical missiles but also strategic nuclear missiles. From October 1982, when a submarine made an underwater launch of a strategic missile, there has occurred a qualitative change in the Navy's weapons and equipment, and its modernization has entered a new stage. At present, while developing new-type submarine-borne strategic missiles, the Navy has made new developments and breakthroughs in the operational use and technical performance of tactical missiles. It is now heading in the direction of the transition to making them supersonic, minimum altitude, over the horizon, automatic, and "smart" precision guided.

Following the development of "missilization" in the Navy, the Navy has set up a higher school for training missile talents, and has installed in it guided missile craft captains, guided missile department directors, as well as

various kinds of missile speciality classes. The college students who graduate from it are sent in an unending stream to various kinds of missile units and to various levels of research departments and leadership organizations.

09727

**Wan Haifeng on Border Economy, Border Defense**  
40050409b Chengdu XINAN MINBING  
[SOUTHWEST MILITIA] in Chinese  
No 6, 19 Jun 88 pp 3-4

[Article by Wan Haifeng 5502 3189 1496, political commissar of the military region: "Develop the Border Economy and Strengthen Border Defense Construction—Investigative Report on the Movement Launched in the Lincang Military Subdistrict To Maintain the Military With Labor and To Turn Poverty Into Wealth"]

[Text] How are border prefectures to launch the movement to maintain the military with labor? In March of this year I took this question with me when I investigated seven prefectures in western Yunnan. I felt that the Lincang Military Subdistrict's implementation of Military Commission Deputy Chairman Yang's [2799] instruction to "maintain the military with labor, enrich the people and strengthen the troops" by vigorously launching activities to turn poverty into wealth, by developing the border economy, and by strengthening border defense construction was very characteristic and worth taking seriously.

### Exploration

Lincang Prefecture, located in southwestern Yunnan, is a border, mountainous, sparsely populated, poor prefecture. Over the past several years, the life of many of the masses here has been one of poverty, and their problem of having enough to eat and wear is far from being solved. Four of its counties are registered by the state and the province as poor counties. It is fairly difficult to get militia work going here. Since 1986 the party committee of the military subdistrict and the party committee and administrative leaders of Lincang Prefecture have together conscientiously studied the spirit of Central Document No 22 (85) and have studied the question of how to get out of poverty, develop the economy, and strengthen border defense construction. They unanimously concluded that only by making the development of the economy the central task would militia work gain vitality. Over the past 2 years they have done a lot of work while advancing their explorations.

**Investigation and study, formulation of plans.** The subdistrict and the county and district people's armed forces departments dispatched 145 work teams (435 person-times) to make, county by county and district by district, on-the-spot investigations, to formulate plans for turning poverty into wealth, and to set up centers for help the

poor and households that establish connections to help the poor, thereby forming from top to bottom and in length and breadth a network of activities for turning poverty into wealth.

**Investment in intellect, training of talents.** They trained technical backbone elements in three ways: 1) sending people to study and obtain experience; 2) asking experts to pass on their skills; and 3) running comprehensive training centers to train local experts.

**Suiting measures to local conditions, making social connections.** In launching these activities they insisted on proceeding from reality, displaying superiorities, and doing what work was appropriate and wearing what clothes were appropriate in developing the economy through many forms, many levels, and many channels.

**Drawing experiences from selected units to promote overall work and publicizing the advanced.** To rapidly develop the economy of a poor prefecture, one very important thing is to get a good grip on typical cases, fan out from the point to the area, and select those projects that are suitable for the area to do, that the militia are willing to do, and that have the necessary capabilities and conditions, and that with a small investment will get fast results. For example, they got a grip on the Fengqing and Yongde tin ore points, the Lincang medicinal materials point, the Gengma fishery, and the Zhankang quarry, which are all typical examples of "blowing the tiller to see the grain," in which work is done that produces results, and which the more the militia work in them the more they are willing to do so. Getting results at points—at an on-the-spot meeting held by the prefecture on the subject of maintaining the military through labor, and attended by comrades of the county governments, civil administration, and sections and committees, 32 advanced units and individuals were commended, and the launching of these activities was promoted.

### Beneficial Results

Although the Lincang Military Subdistrict's activity to turn poverty into wealth has been going on for only 2 years, its beneficial results are clear and its superiority and vitality are fully shown. Economic results, political results, military results, and social results have been given full expression.

**Promoting the development of the commodity economy and helping the masses to escape from poverty and create wealth.** In past 2 years the militia of Lincang Prefecture have achieved an output value of 5.75 million yuan, and their direct income was 3.65 million yuan. Last year's grain income was over 900 million jin more than that of the year before last, and 28,444 households cast off the label of "poverty." The militia tin dressing plant jointly run by the military subdistrict and Fengqing County in a little over a year's time had an output value of 730,000

yuan and it made a profit of 300,000 yuan, which meant that the militia in 8 districts and 20 poor townships in the county made a direct profit of more than 340,000 yuan.

**Demonstrating the function of the militia and giving play to the militia's role.** Launching the activities to maintain the military through labor and to turn poverty into wealth has made the militia play a very good backbone role in the building of the two civilizations. Throughout Lincang Prefecture militia voluntarily took part in border defense and interior guard duty patrols more than 4,800 person-times, and in border defense duty and emergency disaster relief there have appeared many advanced militiamen who possess the spirit of dedication.

**Enhancing the militia's vitality in work and opening wider the way for militia building.** In the past when militia training was organized, there often had to be, in accordance with the number of people, imposed levies of money, imposed levies of food, and imposed levies of compulsory workers. Therefore, the cadres were dissatisfied, the masses were unhappy, and the militia were unwilling to take part. Now, in militia training, labor and the military are integrated and the military is maintained through labor. Not only is there no burden on the masses and it is not necessary for money or food to be brought when militia take part in training, but also the militia taking part in the training get a daily income. The sources of funds for militia training are gradually being changed from the appropriation type to the self-raising type. Now in the prefecture the training funds of 34 militia battalions and 406 militia companies in nearly 400 townships are basically self-supplied. The leaders are satisfied, the masses are happy, and the militia vie to take part in training.

**Improving the quality of full-time military cadres and training talents for economic construction.** The launching of the activities to maintain the military through labor and to turn poverty into wealth imposes new tasks and new demands on full-time military cadres. They are impelled to change their ideas and concepts, and to switch from the single task of organizing militia training in the past to handling both training and economic development and to taking the path of labor and military integration and of maintaining the military through labor. This means that full-time military cadres must possess two skills, namely, understanding both military techniques and economic management, and being able to organize both training and militia participation in economic construction. The practice of integrating labor and the military creates opportunities and conditions for many full-time military cadres and militiamen to become useful persons.

#### Enlightenment

By launching the activities of maintaining the military through labor and of turning poverty into wealth, the

Lincang Military Subdistrict has shown a brand-new way for building the militia and the reserves in the new period. Practice tells us:

**Carrying two heavy burdens on one shoulder.** The function of the military subdistrict and the people's armed forces department in the new period has changed from the past concentration on one thing only, namely, militia training, to handling both militia building and local economic construction, carrying these two heavy burdens on one shoulder. The Lincang Military Subdistrict realizes one thing deeply, namely, that only by organizing the militia to develop production and to raise the level of economic construction can the militia's own building be strengthened and improved. Carrying the two heavy burdens on one shoulder is a demand mandated by the PLA's purpose, is an historical task bestowed by the initial stage and is the way to make people rich and build up their military power, to make the country rich and build up its border strength.

**Suiting measures to local conditions and blazing new trails.** Many areas have launched the activity to maintain the military through labor, and some of them are handling this activity well. For example, Guanghai County in Sichuan and Zunyi and other prefectures in Guizhou, centering on the four modernizations in handling militia, mobilized the militia to engage in the four modernizations, and they accumulated very good experiences in this respect. The Lincang Military Subdistrict maintains that the experiences of other people can be studied and used for reference, but must not be copied mechanically. On plains and in mountainous areas, in the interior and on the border, there are very big differences in climate, geography, what is produced, natural resources, and also nationality, each with different characteristics. Yunnan Province has summed up and popularized Lincang's experiences, which suit the characteristics of a province that has many minority nationalities in the border areas and many poor mountainous areas. Therefore, the province has quickly established 4,546 militia economic entities and 7,645 groups for helping the poor; and more than 300,000 militiamen are taking part in this activity. In view of this, in launching this activity with the goal of improving economic results, we, first, must find out with accuracy a given prefecture's characteristics, choose and follow what is good, display the strong points and avoid the weak points, and give full play to each one's superiorities. Second, we must dredge channels for militia to create wealth, pave roads and lay bridges, and make use of local resources. To guide the militia to find outlets for creating wealth, we must, third, guide the militia to analyze the trends in economic development and to summarize and accumulate their own experiences. The Lincang Military Subdistrict is getting a grip on the characteristics of its prefecture and has explored this path. It has adopted many forms of engaging in industry when appropriate and engaging in agriculture when appropriate. All this has made the activities to maintain the military through labor and to turn poverty into wealth flourish. The results are clear. They have been

spread throughout the province and have been acknowledged and supported by society, as a result of which the great number of militia eagerly take part in these activities.

**Arduously doing pioneering work in handling affairs.** The activity to turn poverty into wealth is a long-term, arduous, and complex job. It requires that the cadres put forth a lot of hard effort, display the spirit of doing arduous pioneering work, have a down-to-earth work style, and handle more affairs for the people in the border areas. Over the past 2 years the cadres of the Lincang Military Subdistrict and the people's armed forces departments at all levels, in order to help the militia to create wealth, have given up their home leaves and vacations. They have frequently gone down to the basic level and to border defense areas, where they have investigated and studied, making nothing of their hard work, and they have stayed at selected grass-roots units to help improve their work land to gain experience for guiding overall work. Tang Haidong [0781 3189 2639], director of the Yongde County People's Armed Forces Department, with a fieldpack on his back led 36 full-time military cadres far from their homes to reclaim wasteland and cultivate land. They stayed in mountain valleys and ate coarse foodgrains. They developed 300 mu of lac, which gave them a one-year profit of 10,000 yuan. In Lincang Prefecture, full-time military cadres like this man are too numerous to mention individually. Li Jiaxing [2621 1367 5281], director of a district people's armed forces department, together with militiamen lived and ate in mines while doing arduous pioneering work. He was given a citation, second class, for meritorious services. This is in distinct contrast to some cadres of people's armed forces departments who, after being transferred to a local government, feel that there is nothing for them to do, and so they immerse themselves in their family life, raise their children, and shoot birds and catch fish. Therefore, the full-time military cadres must be educated to establish the idea of doing arduous pioneering work, to offer their services selflessly, and to consciously make valuable contributions to the vigorous development of the economy.

**Causing the army and the government to release a burst of energy.** Since this engagement in the economy began, it has not been feasible to depend solely on the hard work of the military subdistrict and the people's armed forces departments to strengthen militia and reserve building. Under the leadership of the local party and government, there had to be unified organization and coordinated effort, so that the army and the government would release a burst of energy, mobilizing the forces of all quarters and displaying the enthusiasm of the armed forces and the local government, the leading cadres and the militia masses. That Lincang Prefecture's activities to maintain the military through labor and to turn poverty into wealth developed rapidly and got good results was mainly because the prefecture's party committee and administrative offices, as well as all the prefecture's counties, put this work on their daily agenda

and put it on the track of economic development. They gave it a "place" in thinking, a "leading body" in organization, and an "approach" in work, and did not grudge investing "bank notes" in it. The leading comrades of the prefecture and its counties personally became engaged in this work, and all the administrative departments worked in unison. There was a joint struggle, and the work was given vigorous support in manpower, material resources, and financial resources. In brief, the common goal was clear, the organization and the leadership were smooth, the unified command was flexible, the energy was directed at one place, and the economic development was rapid.

09727

### **Problem of Misguided Reforms in Armed Forces Discussed**

#### **Clothing, Equipment Regulations**

40050406b Beijing JIEFANGJUN BAO  
in Chinese 17 Jun 88 p 3

[Article by Liu Zhongxin 0491 1813 0207: "'Reed Catkin Pillow,' Military Man's Umbrella, and Other Things"]

[Text] Several days ago I saw in the newspapers two news items concerning the reform of armed forces clothing and equipment that afforded some food for thought.

One news item said a certain unit in the PLA had come up with a new result in reform. The cloth-wrapped pillows (popularly called combat-ready pillows) that the fighters slept on in the past had been sent to the warehouse and replaced with "reed catkin pillows." One reason for the reform was: times have changed, and things must not be made too hard for the military man.

The other news item was an AP report. Last year on 10 November, the Uniform Management Bureau of the U.S. Navy announced that male sailors and officers of the U.S. Navy stationed in various places in the world may use umbrellas on days when it rains or snows. However, the umbrella "must be completely black and must not have any decoration on its top," and "the umbrella should be carried in the left hand so that the right hand can salute." This announcement ended nearly 20 years of debate. The regulation also states that in cold weather male and female members of the Navy are now permitted to wear earmuffs, but they must be navy blue in color and may only be worn when the overcoat is worn.

In citing together the above-mentioned two things, this writer certainly did not mean to disparage them. I just wanted to bring up several points that are worthy of attention in armed forces reform.

An armed forces reform must be fully demonstrated. This is one of the points. The PLA's policy for reform is, first, to be bold and resolute and, second, to be careful



and cautious. To achieve these two things, we must have full demonstrations. There is no other way than this. Through full demonstrations we will clarify the correctness and the feasibility of reforms, and then we can be bold and resolute and also talk about being careful and cautious. If today we have a sudden inspection, then tomorrow we will set about making a reform and then the day after tomorrow we will obtain results in the reform. As to what are the results of this practice, this needs a big question mark. The question of whether the members of the U.S. Navy may carry umbrellas on rainy days has been argued for nearly 20 years and it looks like a case of "raising a fuss over a trifling matter," but it contains a serious, conscientious attitude. When a certain unit replaced the "combat-ready pillow," did it also adopt this kind of attitude? I'm afraid it is very hard to vouch for this.

In making armed forces reforms one must keep in mind the characteristics of the armed forces. This is the second point. Armed forces exist to fight a war. Any reform in the armed forces should be advantageous for the improvement of the units' combat effectiveness, and clothing and equipment reform is no exception. At the outset, when someone proposed that the members of the Navy be permitted to carry umbrellas on rainy days, the leaders of the U.S. Navy at that time thought that for a male member of the Navy who was wearing his uniform to carry an umbrella would show a lack of the manly spirit. Others thought that this practice would make saluting inconvenient. In announcing that its male members could carry umbrellas on rainy days, the U.S. Navy gave full consideration to these factors. By stipulating that only black umbrellas without any decoration may be carried, and also that the umbrella be carried in the left hand, the prestige and heroic posture of the military man was kept up—a military man is a military man. Speaking of the "reed catkin pillow," it is more comfortable for sleeping on than the cloth-wrapped pillow, but I think it does not have many advantages for tempering the military man's willpower. The results of armed forces reform must be put in the form of regulations and affirmed. This is the third point. When the armed forces make reforms, they, of course, need to concentrate the intelligence of the officers and men, but the armed forces are highly centralized and unified. What changes and how the changes are to be made must be stipulated in military regulations. All other forms, including publicizing experiences in reform through the medium of the press, do not have the effect of regulations. Otherwise, you would make this change and he would make that change, and the armed forces would not be true armed forces. When announcing that its male members may carry umbrellas on rainy days, the U.S. Navy clearly stipulated the color of the umbrella and the hand in which it had to be carried. This embodied the principle of running the navy in accordance with regulations. Perhaps some people will say that this is dogmatism. They hardly realize that the more armed forces are modernized, the more they stress regulations and the more they must insist on rules and regulations. Military men must do things according to

orders and regulations. The habit of going one's own way is contrary to the demands for modernized armed forces. Again, connecting in the mind the "reed catkin pillow" provided by a certain unit, even though this was the result of a reform, no clear regulations were made with regard to the color of the "reed catkin pillow" and under what circumstances it may be used. These points are lost in a sweeping generalization.

Finally, let me say two things: This article has put its main stress on the several points that should be paid attention to in making reforms in the armed forces, and it did not emphasize the necessity and urgency of armed forces reforms. This is because the times now are the times of reform, and armed forces reform are imperative, a fact that is precisely the major premise of this article.

### Need for Overall Viability

40050406b Beijing JIEFANGJUN BAO in Chinese  
10 Jun 88 p 3

[Article by Chang Shuo 1603 2592: "A Discussion of the Problem of 'Assuming Overall Responsibility' in Military Reforms"]

[Text] In recent years the success of military reforms has greatly enhanced the sense of mission of all officers and men in the PLA, inspiring Chinese military men to step up the pace of reform. However, looking back at the course of the military reforms from the perspective of the system's operating mechanism cannot but cause people to regretfully feel that there were inadequacies among the good reforms. For example: In the reform of a military subsystem, there was a lot of explanation and study in length and little regulation and control in breadth, and therefore the expected value of the overall results was not high. Because of a lack of far-sightedness, some reform projects could not keep up with the demands of the rapidly developing times, and at most meant an expenditure of time and energy in "tracking reforms." Looked at in part, some reforms seem to be "one-day wonders," but, because they run contrary to overall interests, it is impossible for them to work in a large-scale system. Reforms that lacks planning for the overall situation without a doubt block the normal development of armed forces building.

2. A military reform is a piece of systems engineering that assumes overall responsibility for the overall situation. If we do not stand on a "commanding height," press on irresistibly from there, make overall plans, make overall designs, and strictly implement them, it will be difficult to be successful. In the years of Russia's successes in the (Miliujing) military reform, the reform was helped by the idea of reforming the whole by simultaneously reforming the military service system, weapons and equipment, establishment and system, combat-readiness training, military regulations, and military legal system. The smooth carrying out of Prussia's military reform depended on the detailed organization



and firm leadership of the Military Reform Committee. The enormous successes of the Soviet Union in military reform in this century over 20 years without exception depended on the total design and macro guidance by the special committee headed by (Fulongzhi). Today, the enormous waves of reform throughout China are mercilessly pounding the military reform's "piece by piece" pattern and "free-style" method, and the call is going out for the "intensification" pattern and the "program control-style" method. Therefore, only by setting up as fast as possible reform leadership organizations at all levels, formulating overall plans, organizing investigations and demonstrations, guiding the reform dispositions, harmonizing relations and contradictions, effecting comprehensive administration, and giving impetus to overall construction can we make the PLA's reform work meet the challenge of the times and organically converge into the powerful current of the four modernizations.

3. "Assuming overall responsibility" in the practice of reform depends on "assuming overall responsibility" in theoretical research. The functions of theory in reform work, namely, understanding, forecasting, demonstrating, guiding, regulating and controlling, are affirmed by everybody. The practice of reform strongly calls for breakthroughs in theory, seeks the support of theory, and expects guidance from theory. However, the present state of affairs is not exactly as people thought it would be. The "authority" of theory cannot be upheld. The greater part of the results of theoretical research are only "weak rays" flashing in theoretical circles and academic circles, and it is difficult for them to be brilliant rays refracted out of practice. The "lagging nature" of theory cannot be improved. Forecasting comes before policymaking, and demonstrating comes before implementing. Theory can only play the secondary role of diagramming policymaking and echoing what others say. What is more important is that there is still theoretical research that lacks the nature of "assuming overall responsibility." The area covered by theoretical research is too narrow, and theoretical research is deficient in unity and coherence and in system. Theory and its research themselves are somewhat fragmented. The fact that some reforms lack thought for long-term plans and formulation of short-term arrangements, lack analysis of the external environment and design of the intensive mechanisms, and lack macro control by the higher level systems and comprehensive coordination with adjacent systems; that they are perceived to hold each other back, and lead to the selection of "substandard products"—all this, I am afraid, is not unconnected with the "morbid state" of theory and its research.

4. The practice of military reform calls for military legislation. The planning and building of the military "legal system project" are the inevitable embodiment of the demand for "assuming overall responsibility" in military reform. Without military legislation it will be impossible for the antenna of reform to penetrate and there will be no "assuming of overall responsibility." The results of reform could then be "aborted." With one

hand getting a grip on reform and with the other hand getting a grip on legislation, there will be two "wheels" for developing the PLA toward modernization and regulation. The building of our military legal system has just begun. The original laws, rules, and regulations need to be replaced, enriched, and perfected. New military legal categories need to be set up and made sound. For building a complete set of military law systems that possess the PLA's distinctive features, we even more need to do arduous and painstaking work. This has become an important task in military reform that brooks no delay. This is a reliable guarantee that in the PLA's overall building the macro and the micro, speed and benefits, reform and stability, control and development will in the "effect of assuming overall responsibility" promote each other and complement each other.

09727

**Role of Theater Development in PLA Reform**  
*40050406a Beijing JIEFANGJUN BAO in Chinese*  
10 Jun 88 p 3

[Article by Zhao Tianxiang 6392 1131 4382: "Militia Reform and the Strategy of Theater Development"]

[Text] Military strategy is the fundamental basis for determining the goals of reform. Practice proves that reform without a new military strategy is ineffective. The reform of the armed forces of any country in the world always has as its premise the formulation of a new military strategy.

Following changes in the international environment, in different periods of history military strategy has a different content. In the past the goals of our military strategy had a clear one-way nature, namely, just keeping in mind the guidance of a full-scale war. Thus the policy and the form of armed forces building and operations were manifested in a unified pattern.

The strategic change in the guiding ideology for building the PLA gave us a new point of view and position for judging and looking at the changes in the forms of contemporary warfare. China's complex peripheral environment is something that no other country has. It should be said that strategic change is manifested in unit building, and a change in military strategy should take precedence. Without this change, the changes in other specific work are bound to be blind. Similarly, without a change in military strategy, the reform of the armed forces will lack a clear direction. Because of the new changes in the international environment and peripheral environment, two points in the change in military strategy must be considered: the first point is the pluralistic nature of a strategic goal, and the second point is the hierarchical nature of military strategy. Thus, with the unifying bond of military strategy, a theater strategy is set forth. The problems, left over from history on China's periphery, especially the fairly many problems concerning territorial disputes, mean that the problem of

regional conflicts on our border could exist for a long time. To solve this kind of problem, we cannot rely on a general, nationwide mobilization, and we cannot always "use a pole axe on a chicken"—use a great talent for a limited purpose. We must strive to have the strategic zone of operations in each direction solve this kind of problem by itself. In this way the theater's position will rise in its wake. We should firmly recognize the strategic position of a theater, so that our military strategy displays well each theater's initiative and vitality. Recognizing the theater strategy really means recognizing the diversification of armed forces building today and the imbalance in reform today. The military reform of each of our theaters should keep in mind the strategic mission in the given theater, so that the reform becomes more clear and more focused. The reforms in military academic research, military training, reserve force building, and border defense construction should all center on the carrying out of theater strategy, so that they better meet the needs of our periphery's security interests and are advantageous for improving our periphery's environment.

1. General trends and hierarchical nature. Keeping in mind dealing with any level of limited war on the periphery is a matter that first needs to be considered in developing a theater's strategy. From the Fourth Middle East War to the British and Argentine fight over the Malvinas Islands, from the Iran-Iraq contention to the recent American air raid on Libya, high technology has been constantly applied on the battlefield, causing limited wars to climb higher and higher on the ladder of technical escalation. Following the development of the new technological revolution, in order to improve the operational intensity of unit's time and to more effectively attain political goals, the application of high technology in war will become the general trend in the development of future limited wars. However, because of the imbalance in the development of military technology by various countries in the world, plus the restriction of the geographical environment, there could appear an imbalance in the distribution of military technology. In the limited threat on the periphery caused by this imbalance, there will appear a hierarchy. The formulation of the strategy for theater development, and the reform in the theater's building of units, military colleges and schools, and reserve forces, must take into consideration the peripheral security interests that each theater is confronted with, and also must take into consideration the technological level of the future military threat.

2. Focused nature and adaptability. If there is a focused nature there will be adaptability. From a look at the situation in development, we see that a theater is not just the executive unit for dealing with limited wars and sudden incidents on the periphery, but should be elevated to a relatively independent entity that makes comprehensive use of its economic, military, scientific and technological, and reserve forces. Thus new demands are imposed on the adaptability of the establishment, equipment, and operational capability of the

theater units. The kind of unit building in the past that strove for an "omnidirectional" operational capability and that tried to deal with sudden incidents in the east, west, north, and south is obviously divorced from a theater's reality. Therefore, we should give prominence to a theater's characteristics and should stress adaptability on the basis of enhancing the focused nature.

3. Decentralization and centralization. In the military academic research of recent years, the raising of the issue of the strategy for development of a theater once caused people to worry that this would adversely affect the high degree of centralization and unity in military strategy. Actually the relationship between the strategy for development of a theater and the overall military strategy is that between a subsystem and a large-scale system. Provided we correctly handle the dialectical relationship between the whole and the part, the decentralized and the centralized, there will not appear a situation in which "each fights in his own way" because of the raising of the issue of theater strategy. On the contrary, because of the establishment of this strategic level, we can better arouse and display the theater's initiative and flexibility and can increase the integral functions of the entire PLA. It goes without saying that in making reforms we must not follow the principle of "arbitrary uniformity." The strategy for the development of each theater must be established on the basis of specifically integrating the overall military strategy with the reality in the theater. This will make armed forces reform follow the train of thought of seeking truth from facts and take the path of bringing out distinctive Chinese features.s

9727

**Keeping Logistic Expansion Under Control**  
*40050407a Beijing JIEFANGJUN BAO in Chinese*  
10 Jun 88 p 3

[Article by Zhang Youmao 1728 0645 5399: "Controlling Logistic's Snowball Effect"]

[Text] The military logistics budget and planning are following a trend of becoming too large and numerous; logistical equipment and spare parts are developing a trend of higher costs and increasing quantities; the organization and functions of logistics has had excessive expansion and development; and in comparison to military affairs, logistical command and control has been slower in showing beneficial results. All the above things can be termed logistic's "snowballing effect."

China's logistics has gone through the process of going from maintaining one military branch to combined maintenance of the various military branches, and is now making the transition to becoming a multileveled comprehensive network maintenance system. The point of view that "conducting future warfare will depend on logistics" and "military logistic strength has a direct effect on victory or defeat in modern warfare" are

currently in vogue. These views will undoubtedly promote a speedup in logistical development. But we should also look at the problems we are faced with in satisfying the developmental needs under actual conditions. Not strengthening macroscopic control and just looking at requirements and not at our capabilities will certainly have an unfavorable effect on army building.

For example, China's military logistical organization has a large capacity and many stations for military operations crowded together while its overall quality is rather poor. The phenomena of "large numbers of logistical personnel using up the services" is becoming more serious everyday. The actual causes of this lie in the following: First is that logistical organization publications exclude scientific information, they have excessive "logistic logistics;" second, logistics training is not in step with overall army and government training; third, its logistical command functions don't match up with part of the information network. This type of phenomena that is contrary to correct operations can in one aspect lower the economic efficiency of logistical

resources and reduce its ability to provide service during combat, and can also cause natural increases in logistics and a reduction in the fighting ability of combat units.

We know that the overall structure of military logistics is affected by the economy and politics, and depends on the effectiveness of its macroscopic control and regulations. It can be said that military logistics is a bridge and passageway between the national economy and combat units. During periods of limited resources military logistics serves the dual purpose of maintaining and limiting the size, style, and operations of combat units. To make excessive demands and to go beyond what the nation and military can bear, whether at the present time or in the future, is unrealistic. Even if a nation is prosperous there will still be a limit on military expenditures. Therefore, when studying the building and reform of military logistics we must seek truth from facts, act according to our capabilities, look at the overall situation, have an overall balance, and put special emphasis on controlling and adjusting the "snowballing effect."

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## EAST REGION

### University Students' Attitudes Toward Career Selection

40050389a Hefei ANHUI RIBAO in Chinese  
5 Jun 88 p 4

[By Yang Xinlong 2799 2450 7893]

[Text] Under the current trend of economic reform and educational reform, what are college graduates' feelings about their careers? The Sample Survey Team of Anhui Province recently conducted a written survey of 150 this year's graduates of Anhui Teachers' College, Anhui University, Anhui Medical University, Anhui University of Agriculture, Hefei Industrial University, and China University of Science and Technology. The results disclosed that confronted with the current job-distribution system, the college graduates may hold varying views; some may be very dissatisfied, some may be hesitant but content, but the attitudes of most of them are more or less similar. Some startling facts were also revealed.

The majority of the new graduates say that with their life in a school of higher education about to come to a close; where are they going from here is the problem they are in red-hot concern. Under the questionnaire: "The problem you are most concerned about now is..." 97 of the group picked "job distribution," amounting to 69.8 percent of those who responded to the survey questions. The great majority of graduates view job-distribution as extremely important; 45.3 percent believe a good or bad distribution has the function of determining an individual's future while 36 percent believe it to have the function of establishing a foundation for the individual's future. Some persons believe that for a superior student, the difference between him and his schoolmates created by job distribution will be very difficult to overcome. There are also 15.1 percent of the graduates who believe job distribution does not have critical importance to one's future; the key is individual efforts. One graduate says: "I think one can do badly in a good organization; one can also do well in a bad organization. It all depends upon one's skill."

Graduates commonly are apathetic toward the idea of uniform national distribution of jobs. It does not matter whether the field is one currently difficult to distribute, such as agriculture, medicine, or teaching, or one currently more popular such as news reporting, foreign trade, accounting and statistics, few are willing to bother the state to find them "a marriage of occupation."

In the questionnaire: "What do you believe is the best way to locate a job?" only 13 persons pick unified distribution by the state as the answer, amounting to 9.4 percent of all who return the questionnaires.

The method of selection by both sides, through the procedure of "school recommendation before negotiation and interviews between the organization and the applicant" is favored by many; 59 persons consider it to be the best way of getting a job, amounting to 42.4 percent of the total.

There remain 38.1 percent of the total persons surveyed who straightforwardly want to find their own jobs. The way of thinking of most of these is that they want to earn a living by their own skills. They are thinking about "going back" to society "for once." One graduate of Anhui University of Medicine writes in the answer column plainly "opening an office to practice medicine."

An analysis of the survey indicates that the main reason for the college graduates to be uninterested in unified distribution of jobs is that they want to realize their own wishes and to show their own worth; they demand the right of freely choosing a profession.

This year in Anhui Province, other than the pilot project of selection by both sides at the College of Mechanical Engineering, unified distribution of jobs is being practiced in all provincial and ministerial colleges; therefore, the graduates do not dare to be optimistic about one's future direction.

Of the 139 graduates of 4 colleges surveyed, only 25.2 percent are optimistic, 43.9 percent are worried, and 18.7 percent are downright distraught. One graduate of the Department of Chinese Literature of Anhui Teachers' University writes: "All is in the hands of 'those who have authority' and who are totally unrelated to me.... This is not just a personal tragedy...."

It appears that the form of distribution of college graduates should not only satisfy the needs of the changing socioeconomic situation but also meet the cultural-psychological demands of the college graduates themselves who are the major entity of the reform process. Excessive delay or worry are not necessary, however.

A new special point in selecting a profession among college graduates of recent years is that they have an eye on practical economic benefits. Today, the majority of students have lost interest in party, political departments, or scientific research agencies; they are, however, eager, to plunge into enterprises or special economic districts where the economic benefits are good and their personal gain is better. Their ideal work place is; therefore, a unit where the pay is lucrative and the opportunity for advancement or going abroad is good. Answers to the questionnaires in the survey prove that of the 150 persons questioned, 54 percent wish to work in that type of units, doubling the ratio of those who are willing to work in a governmental department; only 4.3 percent are willing to work in poor and backward regions; even less are willing to work in schools, only 2 persons, amounting to 1.4 percent of those surveyed and 5.3 percent of all the graduates of teachers' colleges.

**Zhu Rongji Addresses City Bureau Workers**  
*40050389d Shanghai WEN HUI BAO in Chinese*  
29 Jun 88 p 1

[By Wang Baodi 3769 1405 1229, Xu Daoyin 1776 6670 5593]

[Text] The lecture series: "Understand Reform Situation Clearly, Adhere To the Party's Basic Line" sponsored by Shanghai Municipal Committee of CPC for staff members of the city in units above the rank of bureau officially began yesterday. To the more than 2,000 staff members in units above the rank of bureau, the Deputy Secretary of the Municipal Committee and Mayor of Shanghai, Zhu Rongji [2612 6954 1015] presented a report of "Current Situation and Tasks of Reform and Economic Development in Shanghai."

Comrade Zhu Rongji first described the economic situation of Shanghai to those comrades attending. He said the policy of financial contracting granted to Shanghai by the Central Government this year has mobilized some positive factors in Shanghai. Based upon the contract program, the Municipal government made contracts with the enterprises in February, and in August, contracts reached the district and county levels to add vitality to economic development. We have complete confidence in fulfilling the contract responsibilities before the end of the year.

At present, reform in Shanghai has good momentum. The purchase and sale system of non-staple foodstuffs is reformed; there is progress in combining labor and capital; authority has been delegated in the foreign trade department; more than 80 enterprises have been approved for direct export trade. In improving the investment environment of Shanghai, some results have also been made. A Foreign Investment Work Committee has been established; inspection and approval of 94 special items are made twice as fast; on the average 29 items are added every month. Shanghai continues to utilize the policy provided by the Central Government regarding the use of foreign loans. The mayor predicts that Shanghai is entirely capable of paying back the foreign debts on time.

Comrade Zhu Rongji says: In order to make Shanghai prosperous, a new order suitable for the socialist merchandise economy should be built up step by step and a large teams of enterprises with externally oriented economy should be developed. Thus, the training of factory managers should be strengthened; the mechanism of competition should be introduced into the enterprise-contracting system. Applications for positions of factory managers and heads of machine shops, etc. may be solicited to bring forth a group of talented people.

Zhu Rongji mentions that constructing an honest and efficient government is to have an important basis to inspire all the people of the city. He, therefore, proposes to the leadership staff of the city above the rank of bureaus the following:

1. He hopes that all staff members above the rank of bureaus in the city will liberate their thoughts and plunge themselves into practice to become a reformer who dares to take risks. In the past, due to the prolonged bondage of the old system, the minds of a relatively large portion of comrades were unable to adapt to swimming in the sea of a merchandise economy. The type of feeling of self-righteousness, self-pitying, and insisting to be an irrecconcilable conservative must be overcome. If Shanghai's large and medium-size enterprises are to be activated, a great deal depends upon management, quality, and hardship. There must be no confusion in the enterprises.

2. There must be honesty in government, high efficiency in management, and all must serve as the servants of the people with a clear conscience. He reiterates: This is what the CPC demands of you staff members. Every one of you must do everything physically possible and only in this manner can you raise the morale of the people.

Comrade Zhu Rongji says: last May he received more than 8,600 letters from the people; most of them included suggestions to the municipal government or attempted to expose some malady. These letters testify to the confidence of the masses in the municipal government. While the people trust us the staff members of the government and give us hope, we in turn must be honest and law-abiding. The demand is especially strict for those above the rank of the bureaus. The target for scrutiny by the Municipal Bureau of Control, he stresses, is the 506 staff members of the rank of bureaus. From I myself down, all should be honest and straightforward and the atmosphere of Shanghai will definitely turn to better.

3. Power should be delegated to those working under you in order that it may reach the basic level. You must strengthen control and be skillful in coordinating everything so that you will become an expert in resolving actual problems. Most recently, the municipal government has delegated two authorities and the basic level welcomed the move. First is the principle that all affairs that can be handled by the district or the county are given to the district or county to handle. Second is the principle that the committees, offices, and bureaus are to delegate the authority to the enterprise to handle all matters that can be handled by the enterprise.

At present, the districts and counties are highly positive. The mayor requires the districts and counties not to increase the burden of the enterprises. Try to use the method of apportioning and do not collecting fees unreasonably, do not impose penalties arbitrarily, because they increase the burden of the people.

Finally, Comrade Zhu Rongji emphasizes that in order to make Shanghai prosperous quickly, we cannot dilly-dally any further. Whatever should be decided must not wait days and days and produce no decision. Under the guidance of the municipal committee, the municipal government has produced the resolution, which is not necessarily perfect, but everyone must obey the orders. We must bind the energy of all the people of Shanghai into one before the goal of making Shanghai prosper may be realized.

Yesterday's meeting was chaired by Comrade Yang Ti [2799 1029], Deputy Secretary of the Municipal Committee; Deputy Secretary of the Municipal Committee Ceng Qinghong [2582 1987 4767] and the Minister of the Department of Propaganda Chen Zhili [7115 5267 4539] also attended the meeting.

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### **Shanghai Procuratorate Measures To Ensure Honest Government**

40050389b Shanghai JIEFANG RIBAO in Chinese  
25 Jun 88 p 2

[By Tan Xiaowei 6151 1429 5633]

[Text] This reporter has learned from Shanghai Municipal Procuratorate that in order to enforce the requirement of having a pure and thrifty spirit among all workers of the party and state agencies, the Procuratorate has made proposals to related municipal government based upon the actual condition in Shanghai.

The focus of the Procuratorate will be to ensure honesty among leaders above the rank of municipal bureaus. At present, the work of carrying out the directive of the municipal government, "Certain Regulations Concerning Developing a Hard-working and Simple Work Style for the Leadership Staff Above the Rank of the Bureaus" issued on 10 May is being continued to make certain that real effects will be produced.

The second task is to analyze the condition of honesty of the leadership staff above the rank of bureaus in the municipal government. Before the end of the year, 100 leaders of the rank of bureaus will be examined in groups. Those who are found to be honest and law-abiding will be commended. Those who are found to be dishonest and not law-abiding will be criticized and educated if the offense is mild, disciplined and punished if the offense is serious.

The third task is to continue to formulate some regulations for ensuring honesty, based upon the results of survey and research and aiming at the most prominent problems, in order that there is a system to guarantee "honesty in government."

While engaging in the above three tasks the Procuratorate will also proceed with educating municipal government workers of all ranks matters relating to fairness, honesty, diligence, and struggle. Through education, four problems are expected to be resolved:

1. The practice of giving and receiving gifts and enjoying gourmet food and drink will definitely stop, with related rules and measures to be formulated soon.

2. All government agencies are to be prohibited from trade and industry; those that are engaging in commerce and enterprise are to cease at once. If trades and enterprises cannot be closed, government workers must separate themselves from those activities, in personnel as well in finances and materials. Those who are working for a government agency are not allowed to take on a job with an enterprise or receive reward from it. Those who have a job with the enterprise should resign, or they may resign from the job in the government agency.

3. Apportioning illegal assessments and collecting illegal fees must be stopped.

4. Such criminal acts as extorting bribes, receiving bribes, corruption, abuse of power or position, swindling, and blackmail by government workers must be investigated and prosecuted according to the law.

In view of the fact that the law enforcement departments, the administrative and management departments, and the public utility industries at the basic level are about to practice the system of conducting affairs in public, the Procuratorate will proceed with educational activities to teach honesty and serving the people to raise efficiency and prestige of the government.

The Procuratorate believes that, the great majority of workers of government agencies in Shanghai, just as in the entire nation, are law-abiding and honest. Most recently, some leaders above the rank of bureaus have been leading the way to carry out the 8 regulations in the municipal government. This is the mainstream. It should also be noted, however that in government agencies of all ranks in Shanghai, problems are not few, and these problems are directly hurting the interests of the state and the people and are seriously affecting the status of the party and the state.

6248

### **Problems in Job Assignment System for Recent Graduates**

40050430 Shanghai SHANGHAI ZHIBU SHENGHUO  
[SHANGHAI PARTY BRANCH LIFE] in Chinese  
No 9, 6 May 88 pp 31-32

[Article by Dong Xijian 5516 6932 0256, and Li Xuejun 2621 1331 6511]

[Text] Early in 1988, the Shanghai news media reported one after another the news that there was a "surplus" of graduate students to be assigned jobs in 1987 and a

"shortage" of PhD candidates to be admitted by examination in 1988. This is certainly surprising to hear in these days when S&T is being relied on and talented personnel are valued. Originally, postgraduates were in such "great demand" and "vied for" and PhD candidates being admitted by examination was even more admired. But now, "matters are not as they were" and conditions are quite different. For the moment, the whole story cannot be told here. But the "depressing" signals that people are expressing about the job assignment and recruitment of graduate students and PhD candidates make us think that it is worse than before and far worse than the previous broad job assignment "opportunities" for college graduates. In comparison, the present situation and trends worry us even more, particularly since the nonguaranteed job assignment system that is being tried out in some Shanghai colleges and universities in 1988 may cause even more new problems. It can be predicted that job assignment of college students will be even more difficult in 1988 than in 1987.

Since everyone is complaining about the job assignment troubles for college students, what is the matter with the system? We took a certain industrial bureau system as a "sample," made a thorough study of it, and discovered the following details that contribute to the present job assignment troubles for college students:

### 1. Policies Are Biased

The key issue in job assignment troubles for college, high school, and trade school students is that wage funds are not ensured. College, high school, and trade school students are assigned to factories without attached wage funds. However, all factories and enterprises now generally have fixed payrolls. Thus, every time they accept college, high school, or trade school students, the unit must, in fact, pay them out of their own wage funds. This directly affects the economic returns and profit distribution of enterprises and their staff members and workers. All enterprises feel that people (not only college students, but also others) being assigned to them without corresponding wage funds is a knotty problem.

### 2. There Is Less "Demand for Talent"

Some years ago, the guiding ideology of enterprises in looking for, and hoping to be assigned, college students was to help them "tackle key problems" and solve technical difficulties. Some enterprises tried to "call for a supply" in order to "avert peril with preparedness." But in the past few years, the eagerness of factories to provide themselves with and demand talented personnel has abated due to the opening of "technology markets" and the improvement of technical advisory services. Message transmission, tackling of key problems, mediation, advice and diagnosis, and help in importing, digesting, absorbing, and proving feasibility can all now be taken care of by inviting bids from experts. In addition, the staff members and workers that factories sent some years

ago to electronics, business, night, vocational, and correspondence colleges have now finished their studies and come back one after another. This has improved to varying degrees the quality and alleviated the weaknesses of technicians in factories.

### 3. Jobs Are Not Suited To Specialties

College students who are assigned jobs these days have too many specialties and too few of them are "well-matched." A certain industrial bureau was assigned 1,200 college, high school, and trade school students in 1988. They had over 80 specialties of all types but very few in fields that the system needed, such as finance and economics, management, construction, atomic chemistry, fermentation, and foreign economics and trade. It was very hard for personnel departments to assign them jobs according to "need." They could only "control quotas and match them with difficulty."

### 4. Adaptation Periods Are Too Long

After college students enter factories, it is often temporarily hard for them to play a "role," and the word from the factories is that "it is temporarily very hard to put them to use." This is not only because their professional theories are divorced from reality and the things that they learned in school are impractical, but also because it is very hard for them to cope with the work independently without a 1- to 2-year routine of "marking time," i.e., learning the ropes, making contacts, and beginning to play a role. This is naturally unsuited to enterprise rhythms of "short, smooth, and quick." Thus, factories prefer the students that they send to study at the "five kinds of colleges" because they are familiar with the factory and have actual experience, theoretical knowledge, and strong "native loyalties."

### 5. There Are Many Troubles in Planning Work

From the perspective of the present technical makeup of enterprises, most factories are still labor-intensive. For short-term activities or temporary shortages of personnel, these units would rather recruit more contract workers than college students: 1) wage funds are assigned for contract workers and enterprise profits do not suffer; 2) contract workers have precision work training that enables them to cope with jobs and "be put to use" in solving pressing production needs, and it is unnecessary to worry about them "taking over cadre positions or desks" like college students.

In summary, 1988's job assignment of college, high school, and trade school students makes us anxious. People of insight predict that some years from now, if the present situation continues, not only will the technical makeup of enterprises be unsuited to their production and S&T development needs, but their technical and management standards may drop and new "breaks" may appear in their S&T ranks. In order to rectify this situation, the authors propose the following:

### Suggestions and Countermeasures

1. In order to keep enterprise real profits from falling and payrolls from decreasing, it is suggested that when assigning jobs for college students, quotas can be assigned based on the average wages of staff members and workers in the accepting units. If "short-term specialists" that are in great demand can be temporarily assigned without attached funds, assignment of "long-term specialists" should at least be accompanied or supplemented by wage funds.

2. The current specialized curriculum for college, high school, and trade school students should be "focused" as much as possible on practical scientific research for production or be synchronized with production developments. Certain specialties that are in short supply and great demand should make up a specific proportion of the courses that are offered. Moreover, the conditions should be actively created to simplify the red tape for college, high school, and trade school students to go to the front lines of production research as probationers and trainees, and their time and quality should be ensured.

3. In job assignments, supply should be as consistent as possible with demand and "forced matching" or "apportionment" should absolutely not be practiced. Even less should "arbitrary matching charts" be used or new "unusable studies" or jobs unsuited to special training be artificially created.

4. "Commissioned training" by enterprise research units should continue to be supported. Moreover, factories, trades, and systems should be linked to schools. Specialties should be developed by "commission" and set up according to need in order to ensure fulfillment of real pressing needs for talent by production and research units.

5. The existing roles of "personnel banks" and "personnel exchange centers" should be fully developed, surpluses and shortages should be remedied and, as much as possible, jobs should be suited to specialties, people should be chosen to work at what they are good at, and jobs should be assigned to people according to their abilities.

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### New Shanghai MPC Standing Committee Chairmen Profiled

40050431 Shanghai SHANGHAI ZHIBU SHENGHUO  
[SHANGHAI PARTY BRANCH LIFE] in Chinese  
No 10, 21 May 88 pp 18-19

[Text] Chairman Ye Gongqi [5509 0361 3823] was born in October 1929 in Wuxian County, Jiangsu Province, attended college, joined the CPC in November 1944, took part in student movements, and was a liaison for the Shanghai underground party. After the founding of

the PRC, he worked in Shanghai districts such as Chonglu and Chongshan. In 1958, he was appointed deputy director of the technical division and director of the experimental laboratory at the Shanghai Ballpoint Pen Factory. Since 1979, he has served successively as a responsible person and party committee member of the Shanghai Electric Light Industrial Corporation, deputy director of the Shanghai Municipal Light Industry Bureau, vice mayor of the Shanghai Municipal People's Government, and a member of the Shanghai Municipal CPC Committee.

Vice Chairman Zhao Zukang [6392 4371 1660] was born in September 1900 in Songjiang County, Shanghai, was a member of the KMT Revolutionary Committee, graduated in 1922 from the department of civil engineering at Jiaotong University's Tangshan campus, went to the United States in 1930 to pursue advanced studies at Cornell University graduate school and, after 1932, worked in places, such as the KMT's National Economic Commission and Ministry of Communications and the Shanghai Municipal Labor Bureau, and served as acting mayor of Shanghai. Since the founding of the PRC, he has served successively as director of the Shanghai Municipal Labor Bureau and the Shanghai Planning, Construction, and Management bureaus, vice mayor of Shanghai, vice chairman of the Shanghai Municipal People's Political Consultative Conference, vice chairman of the standing committee of the Shanghai Municipal People's Congress, honorary chairman of the Shanghai Municipal KMT Revolutionary Committee, and vice chairman of the central committee of the KMT Revolutionary Committee.

Vice Chairwoman Chen Tiedi [7115 6993 6611] was born in December 1935 in Changsha, Hunan, joined the CPC in January 1952, and graduated from Tongji University in 1956 with an interdisciplinary degree in industrial and civil architecture. She worked as faculty assistant, lecturer, and general party branch committee member at Nanjing Industrial Academy and lecturer, party branch secretary, and department general party branch secretary at Tongji University. Since 1981, she has served successively as deputy secretary of the party committee at Tongji University, a member of the standing committee of the Shanghai Municipal CPC Committee, and party committee secretary for the Shanghai Municipal Education and Health Office.

Vice Chairman Sun Guizhang [1327 6311 3864] was born in July 1935 in Liaozhong County, Liaoning Province, joined the CPC in April 1960, graduated from Harbin Military Engineering Academy in 1962 with a degree in missile automatic control, and worked in places such as Office No 5 of the Ministry of National Defense, Institute No 22 of the No 2 Shanghai Machine Building and Electronics Bureau, the Xinyue Instrument and Meter Plant, and the New China Machine Plant. Since 1979, he has served successively as deputy secretary of



the discipline inspection commission and party committee at the No 2 Shanghai Machine Building and Electronics Bureau, party committee secretary for municipal construction work, and a member of the standing committee of the Shanghai Municipal CPC Committee.

**Vice Chairman Liu Jingji** [0491 7231 1015] was born in September 1902 in Changzhou, Jiangsu, was a member of the China Association for Promoting Democracy, studied at the Jiangsu Second Industrial Training School in Suzhou in 1917, and worked in places such as the Baocheng Cotton Mill in Shanghai, the Sulun Cotton Mill in Suzhou, the Dacheng Textile Dye-Works in Changzhou, the Jiangnan Cement Plant in Nanjing, the Anda Textile Mill in Shanghai, the Dalong Machine Plant, the National Textile Industry Union, the Anda Cotton Mill, and the Cotton Spinning Industrial Corp in Shanghai. Later, he was concurrently chairman of the board and general manager of the Shanghai Municipal Patriotic Construction Co, chairman of the board of the Patriotic Construction Financial Corporation, chairman of the board of the Shanghai Municipal Investment and Trust Co, a member of the party committee of the China Association for Promoting Democracy, director of the Shanghai Municipal Industry and Commerce Federation, a member of the standing committee of the central committee of the China Association for Promoting Democracy, vice chairman of the All-China Federation of Industry and Commerce, vice chairman of the CPPCC, and vice chairman of the standing committee of the Shanghai Municipal People's Congress.

**Vice Chairman Tan Jiazhen** [6151 1367 2823] was born in September 1909 in Yinxian County, Zhejiang Province, was a member of the China Democratic League, and received a bachelors degree in biology in 1930 from Dongwu University in Suzhou, a masters degree in 1932 from Yanjing University, and a PhD in Biology in 1936 from the California Institute of Technology in the United States. He worked at places, such as the California Institute of Technology, Zhejiang University, and Fudan University. Since 1961, he has served successively as vice president of the university and head of the genetics institute at Fudan University, vice chairman of the standing committee of the Shanghai Municipal People's Congress, vice chairman of the central committee of the China Democratic League, chairman of the party committee of the Shanghai Municipal China Democratic League, and a member of the standing committee of the Seventh CPPCC.

**Vice Chairman Liu Nianzhi** [0491 1819 2535] was born in September 1912 in Dinghai County, Zhejiang Province, was a member of the China Association for Promoting Democracy, graduated in 1934 from the department of economics at Cambridge University in London, England, and worked at places, such as the Zhonghua Dock Company in Shanghai, the Huadong Coal Mine Co in Shanghai, the Shanghai office of the Kailuan Coal Mine, the China Woolen Mill in Chongqing, and the KMT's Central Trust Bureau and General Disaster

Relief Office. After 1952, he worked at the Zhanghua Woolen Mill in Shanghai, the Shanghai Municipal Cotton and Flax Industrial Corporation, and the All-China Federation of Industry and Commerce. Since 1983, he has served successively as vice chairman of the standing committee of the Shanghai Municipal People's Congress, chairman of the board of the Hongkong-Shanghai Industrial Corporation, vice chairman of the All-China Federation of Industry and Commerce, a member of the standing committee of the Seventh NPC, and honorary chairman of the board of the Hongkong-Shanghai Industrial Corporation.

**Vice Chairman Ye Shuhua** [5509 0647 5478] was born in June 1927 in Shunde County, Guangdong Province, graduated in June 1949 from the department of mathematical astronomy at Zhongshan University, and worked among German nuns in Kowloon, Hongkong and at the Shanghai Observatory. Since 1978, she has served successively as deputy director, director, and researcher at the Shanghai Observatory, vice chairwoman of the Sixth Shanghai Municipal People's Political Consultative Conference, and a member of the standing committee of the Seventh National People's Congress.

**Vice Chairman Hua Liankui** [5478 5114 1145] was born in October 1927 in Wuxian County, Jiangsu Province, has a college education, joined the CPC in July 1945, and worked at places, such as the Changning District Control Commission in Shanghai, the Changning District branch of the Shanghai Municipal People's Court, the Changning District People's Court, the Shanghai Municipal Judicial Bureau, the criminal court and office of the Shanghai Municipal People's Higher Court, and the Shanghai Municipal Construction Commission. Later, he served successively as deputy secretary of the Shanghai Municipal Political and Legal Affairs Commission, president and leading party group secretary of the Shanghai Municipal People's Higher Court, and a member of the Shanghai Municipal CPC Committee.

**Vice Chairman Li Jiagao** [2621 1367 6964] was born in March 1924 in Jiashan County, Zhejiang Province, joined the CPC in November 1947, studied in the department of chemistry at Shanghai Jiaotong University in August 1948, and worked in places, such as the Huzhong and Huangpu districts, the Shanghai CYL school, the Dazhong Rubber Plant in Shanghai, the No 2 Shanghai Municipal Light Industry Bureau, the Shanghai Municipal Chemical Industry Bureau, the Wusong Chemical Plant in Shanghai, and the No 2 chemical plant and production office of the Shanghai Petrochemical Works. Since 1979, he has served successively as deputy director, acting director, and director of the Shanghai Petrochemical Works, chairman of the Shanghai Municipal Economic Commission, a member of the standing committee of the Shanghai Municipal People's Congress, and vice chairman of the Shanghai Municipal Finance and Economics Commission.

**Vice Chairman Wang Chongji** [3769 1504 1015] was born in Januray 1928 in Yancheng Prefecture, Jiangsu Province, has a college education, joined the CPC in April 1946, and worked in places, such as the advisory department of the Huainan Prefectural Party Committee, the Light Industry Office of the Shanghai Military Control Commission, the training class and statistics department of the Huadong Textile Bureau, the No 2 Shanghai Shenxin Factory, the education, planning, and

general offices of the Shanghai Municipal Textile Industry Bureau, and a cotton company. Since 1979, he has served successively as deputy director of the Shanghai Municipal Textile Industry Bureau, vice chairman and leading party group deputy secretary of the Shanghai Municipal Planning Commission, and a member of the Shanghai Municipal CPC Committee.

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### Symposium Reveals Widespread Opposition to KMT

40050399 Hong Kong *CHIUSHIH NIENTAI* [THE NINETIES] in Chinese No 222, 1 Jul 88 pp 10-11

[Article by Qiu Chui-liang 6726 0987 0081: "Two Great Worries in Taiwan's Development of Democracy"]

[Excerpt] In early June, I returned to Taiwan to participate in the symposium of "Welcoming Challenge, Creating New Politics," sponsored by CHUNGKUO SHIPAO [CHINA TIMES]. Discussions in various depths were carried out with important officials including Li Teng-hui [2621 4098 6540] Yu Kuo-hua [0205 0948 5478] Li Huan [2621 3562] Chiang Wei-kuo [5592 0215 0948] Wu Pai-hsiong [0702 0130 7160] and more than 10 members of the Legislative Committee and representatives of the National Congress, friends and colleagues of industry, commerce, and academia, as well as some workers and farmers of Miaoli and Kaoping regions. Some of them conversed calmly, with reason and intelligence; others were excited and impassioned, or turned vehement and indignant. All of them benefited me a great deal and I was very touched and impressed. In a little over a year, there have obviously been some rapid and startling changes in my old home, Taiwan.

The good thing is that after nearly 40 years of struggle, Taiwan has finally been reborn; with no turning back, it has embarked on the road to democracy. This is a journey no one can block off; this is a trend of history no one can alter.

The fact that on 7 July the 13th National Congress of KMT is to convene is worrisome. That is a party in power for a very long time. It is about to be converted from a revolutionary party into a democratic political party. Regarding such subject matters as democratization within the party, internal power struggle, mainland policy, reelection of members of the congress, democratic election of heads of provinces and cities, and other vital problems, unprecedented disputes and splits are to be expected. One might say there will be some tremendous fireworks.

Some extreme rightist and conservative factions have publicly declared that if the KMT is no longer "revolutionary," if it is to change its nature into a democratic political party, if it does not reserve seats for the mainland, if it will no longer safeguard the "interests of the party and the nation," they will collectively resign from the party. Some freedom factions and reform factions have cried loudly that all efforts must be exerted to democratize the KMT which can have a future only if it opens up internally as well as externally. Otherwise, they are also going to withdraw from the party to organize a new KMT.

This, however, is only the political life of the KMT. The situation that is even more worrisome is the fact that while the development of democratic politics is good,

there is also a malignant tumor growing in Taiwan. This is the malignancy of political polarization, which is polluting the political environment of all Taiwan. The "May 20" farmers' demonstration and riot was a glaring symptom of the malignant phenomenon.

Several famous professors publicly pointed out that the greatest danger facing Taiwan today is not the threat of the PRC, nor the difficulties of political democratization, it is the hatred between the natives of Taiwan and those who came from regions other than Taiwan and it is in fact the thought and advocacy of Taiwan independence. The professors emphatically stated that if the notion of Taiwan independence is not squashed, there will not only be no hope for unification of China, there will also be no use for democratization and modernization of Taiwan. All efforts will be futile. There will be nothing to look forward to. The future will be just total darkness.

Some people even go to the extreme to state that the policy of the mainland is open now, and there will be further development of other channels and linkages in addition to visiting relatives in the mainland; therefore, the mainland is no longer to be feared; it is no longer causing damage. Does anyone see that Taiwan is energetically and effectively using democratic politics to fight back against the mainland? They believe, at present, the most frightening, the most damaging, and the most devastating thing for Taiwan is Taiwan independence. Taiwan cannot have a single day of peace before that notion is blotted out. They are willing to unite with the PRC, rather than living under the political rule of Taiwan independence.

I must emphasize that the above is no exaggeration. These are clear declarations of some people.

At the other extreme, I encountered a group of workers, farmers, and small tradesmen, who are practical and have done hard labor all their lives. They actively sought me out to tell me their grievances and bitterness which they kept hidden in their hearts for a long time. They are definitely not the progressive new trendy young idealists. Most of them are 50 to 60 years old; they have experienced the rule of the Japanese as well as the KMT. Most of them have established careers and should be ranked as Taiwan's middle class. When I met them, I thought of them as the beneficiaries of Taiwan's economic miracles; even if they may not feel grateful toward the rule of the KMT, they would not hate it, so I thought.

After conversing with them in some detail, I discovered that they not only do not appreciate the KMT, they hold bitter hatred toward it. The enmity they expressed is a type of suffocating, unbearable, and soul-shaking resentment. They believe that for nearly 40 years, the KMT has been riding on the backs of the people of Taiwan. To use the words of one tradesman, the KMT uses a layer of reinforced cement to keep the people of Taiwan in hell.

"They enjoy all political privileges; we receive all political oppression. Where is there even a tiny bit of people's possession, people's rule, and people's enjoyment?"

One Taiwan native, who is a KMT member and was once elected to be the head of a county, used up an entire morning to present a pile of data to prove that the KMT establishment discriminates against Taiwanese, oppresses Taiwanese, and is unwilling to allow Taiwanese to be masters of their homes. The kind of masked persecution of Taiwanese by the KMT as he described is something I had never heard of before.

A man about 60 years of age, working for a state-operated enterprise, told me frankly that for these 40-odd years, he would have preferred to have continued to be ruled by the Japanese. He believes that if Taiwan is governed by the Japanese today, he would have had more freedom and equality than living under KMT dictatorship; he would have a more democratic political life and, of course, he would also enjoy a more affluent life, materially.

When I expressed my disagreement, he pointed out to me the current development of democracy and high speed economic progress in Ryukyu Islands, and mainland Japan. He especially emphasized the peaceful, democratic constitution of Japan. He asked me: "You tell me; in what way can we compare with Japan?"

The curfew has been lifted in Taiwan; there has been progress on the road to democracy. All these grievances, hidden for nearly 40 years, have been spoken out in the open. Deep in my heart, I feel a mixture of half sadness and half joy. I am glad that these words are said and discussed publicly; this is an indication of democracy. My sadness has to do with the fact that I never expected that there are so many people speaking that way and the bitterness they harbor can be that deep.

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**Interview With Chiang Wei-kuo on KMT Vice-Chairman Position**  
*40050398a Taipei TZULI WANPAO in Chinese*  
3 Jul 88 p 3

["Excerpt" of interview with Chiang Wei-kuo 5592 0251 0948 by Xu Lu 1776 3873: "There is No Jiang Dynasty: An Exclusive Interview With Chiang Wei-kuo"; date, place and name of interviewer not given]

[Text] Teng Chieh [3326 0267] a representative of the National Congress who is never annoyed by being called the "extreme rightist faction" is pushing a proposal to change the charter of KMT to establish the position of a vice-chairman. This resolution will be put forward in the 13th National Congress to convene in July.

Teng Chieh openly points out that Chiang Wei-kuo is the appropriate choice for vice-chairman. Due to the fact that the establishment of a vice-chairman will involve not only a revision of the KMT charter, but also a power struggle within the KMT, between two factions, holding different standpoints, this motion has aroused much attention.

What is Chiang Wei-kuo's viewpoint regarding the possibility of being chosen as the vice-chairman? Is the Chiang family going to rise once again amid a readjustment of the power structure in the 13th National Congress? This paper arranged a special interview with Chiang Wei-kuo. The following is an excerpt.

Question: Most recently, within the party of the administration, a relatively intense as well as delicate power struggle seems to have occurred on the subject of the necessity of reorganizing the cabinet and restructuring the personnel. In Western countries, this type competition for power is a common game. In the political culture of our country, such "naked pursuit" of power is relatively rare. What is your personal viewpoint on this "power play" within the party?

Chiang: (Paused for half a minute then burst out laughing) I think much of the so-called "power competition" is a description by outsiders. There are many out there who claim to speak for others while others never said these things. (The reporter interposed: "Are you referring to the news media? Or...") These people do not belong to the news media. I feel the news media are being blamed; being used. The news media itself has no bad intentions, but I believe those who are truly engaging in news reporting work should be alert so that they would not be used by those who are insensible, ambitious, or vicious.

In so far as personnel changes during a certain period of time, they are often planned ahead of time and they happen today, in the past, in China, or in foreign countries. If outsiders are not so concerned, such normal occurrences will occur in a normal manner and will produce normal results.

Although I deeply believe those who are of high rank will definitely not be influenced by the idle rumors, it is, nevertheless, a bother. They will start thinking: if such a manner of handling personnel is normal, while the impression among the citizenry is that it is not normal; what sort of result will this produce.

All events in the world have advantages and disadvantages. If the disadvantages are magnified and the advantages are forgotten the citizens will only see the disadvantages. An event that would have developed normally will thus be obstructed by the psychological uneasiness. That just would not be worth it!

Question: Whether or not the cabinet should be reorganized during the reform process of this 13th Congress has become the subject of discussion by all, here as well as abroad, who are concerned about this nation. What is your opinion regarding this political issue of such grave importance?

Chiang: I leave personalities out and would discuss this problem from the point of view of events only.

I believe a cabinet is a cabinet, the condition of which is omnipotence. It is not like what some outsiders describe as financial cabinet or military cabinet. For this reason, the organization of the government or the process of organizing the government must start from the planning of the entire procedure and its overall operation; that is to say the system, before the power can be brought to its full play.

If the cabinet know only finance and do not know how to coordinate other things; or if the cabinet know only military affairs and do not know anything else, it would be like those ordinary people who consider military affairs as the entirety of national defense; they do not know that national defense embraces the four layers or facets of politics, economics, psychology, and military.

As we have entered the era of democracy, the government, from now on, must conform with the legal system. An effective organization may be planned on the basis of the system; that is to say the hardware may be planned on the basis of the software.

Question: During this intense personnel competition, especially in the matter of electing Central Committee Members, in the political circles there is a rumor of "a resurgence of the Chiang family" because there are many members of the Chiang family participating in the competition. There are also some who wish to choose you as the vice-chairman. What do you feel about this type of rumor...?

It is not to my liking that everyone pays attention on the problem of the Chiang Family or not the Chiang Family. If this is made into an issue it will put an extremely heavy burden on all members of the Chiang family. It may seem like if one person was the president once, all his descendants of every generation would wish to be president. If one does not become president, it would appear like the Chiang family did not make a good showing. Those who talk like that are making the Chiang Family into a dynasty. In their minds, whoever is in there first is the master. It appeared that in their way of thinking members of the Chiang family are not allowed to change an occupation and their positions are not allowed to be lowered. If one of the older generation reached such a height, those of the later generations must also reach that height. As a matter of fact those who talk like that are heavily ingrained with concepts of feudalism.

I believe it does not matter which family one belongs to, one must perform well in what is one's own affairs; therefore, the best answer to this type of question is to quote the generalissimo: "Wish to do great things, do not wish to be a great official."

Of course, being a member of the Chiang family, psychologically one would particularly not wish to disappoint those who are one's ancestors; one does not want to taint the family name, but this is not the same feeling referred to by outsiders as "a psychology of impossible not to take over the helm."

Question: When Central Committee members are to be chosen at this 13th National Congress, Messrs Xiao-wu [1321 2976] Xiao-yung [1321 0516] Xiao-yan [1321 0917] and Xiao-ci [1321 1964] may all participate in the competition. What attitude have you toward them?

Chiang: I do not encourage them, neither am I going to hinder them. This is the era of democracy; everyone has his own responsibility to fulfill. It does not make any difference whether someone is my relative or a friend, I still have a certain responsibility toward him and will extend varying degree of support, unless that person does not want my help. I cannot force anyone to accept my support.

Question: In a previous interview, you volunteered that some people did not want you to interfere with them whose intention is to choose you as the vice-chairman. In the intervening period, did you ever actively stop them in their efforts? What is your standpoint with regard to being chosen as the vice-chairman?

Chiang: Regarding the problem of being vice-chairman, not only I have read about it in the newspapers, I also personally met more than one or two persons who tried to talk me into this. Personally, I do not wish to do this type of work.

Those who got in touch with me did not appear to me that they try to find me because of the Chiang Family. It does not matter how many different backgrounds and reasons these persons have, they do have one reason in common. They all say that in the mainland there are many who know me; so are many in international circles. Of course, the reason that my name is known to so many people is related to the Chiang Family. This is a fact. But, what causes them to start this attempt is after all their concern with restoring constitutional government in the mainland.

My own opinion, however, is that it is not my strong point neither is it what I like to do. There was always someone who would say, "You need not bother with this; this is our affair."

Question: Did you actively stop them?

Chiang: I, of course, actively tried to stop them, but I can only do my part.

Question: Just as they say, you have no control over this?

Chiang: Not that I have no control; I just have no way to control this. As a matter of fact, I believe a better method can be found to carry out the original good intention of restoring democracy in the mainland. In other words, I believe it is not such a good method to revise the constitution first then, to add a vice-chairman. Is that right?

Question: Besides the vice-chairman position, rumors of the political circles also mention the possibility of you as the first secretary of the president, minister of national defense, or chief of staff....Have you, yourself, heard such rumors? If you were asked about what position you wish the most to hold, you would undoubtedly say you have an "ordinary heart" or some such phrase. Let us change the direction of our conversation just a little. Is it possible for you to be frank about this. In this era of reform, what is your mission?

Chiang: I have heard all these rumors. My feeling about my mission is that I wish I can do something I am capable of doing.

Question: You feel the thing you are most capable of doing is....?

Chiang: You should all know what I can do. What was I trained for? For example, the chief secretary of the National Security Council is a job I learned before. Problems of war strategy, especially strategy of great wars, as great as a global war or space war is what I have learned also. No one is an specialist of everything. Knowing how to produce specialists of all different fields, and having the capability of organizing all these specialists together are very important kind of work.

Regarding my own job, I have never pursued it eagerly. Rumors about me by outsiders are mostly based on good intentions. They have profound expectations of me. But, as far as I am concerned they all constitute emotional pressure, and I am the person who is afraid of emotional burdens most of all. The more ardent is the expectation of others, the more pressure I feel.

I also make demands of myself. I do not pursue fame, fortune, or position. The lower is the position, the more dangerous is the job, the more difficult is the work, if I am capable of it, the more I would do my best without exception. From the standpoint of the state, the generalissimo once explained a very important concept: "a transfer of power refers to the concept of responsibility; a transfer of command refers to the system of responsibility."

Of course, everyone should be prepared to accept the responsibility and challenge of a higher rank or a position of larger scope, just as the head of a company should prepare oneself to become the commander of a battalion some day, but a battalion has four companies. If all four company commanders want to be the battalion commander, friends will become enemies. In view of the overall system, the most important thing remains to be establishing the concept of responsibility.

Question: In the past half a year, the country has followed the will of Chiang Ching-kuo to proceed with democratic reform vigorously. It appears that some old power conservatives are also attempting to extend their influence everywhere. What is your assessment of the influence of these old power conservatives in our political development?

Chiang: I can only say that in our society there are the two types of persons: the experienced and the inexperienced. It is a great mistake to say that people of today should deny the experience of the past. Past experience should not be forgotten, but requirements of the future demand more attention. Napoleon said it once: "Ordinary generals love to fight past battles. Their face is all animated when they talk about the history of wars (on this point, I do wish some generals can at least do that) but few are capable of planning the next battle." This is only human; because it is not easy to plan the next battle.

Question: With respect to those whose thoughts are concentrated on past experiences, what do you think are the things they should learn in this new era?

Chiang: I think the most important thing they should learn is that age and occupation do not matter. I do not think much of calendar age. It is the age of wisdom that should be the standard.

Many whose age of wisdom is relatively young are the combative type of persons. (They include most foreign politicians.) They are the type in constant action. Due to the fact that they do not have the habit of looking forward, they have no ultimate goal. This type of people are also in need but they should not interfere with strategic planning, otherwise there will be riots. Internationally, many important politicians are this type; as a result important world affairs are bungled up.

If a person is unable to reference the current actual situation as the basis to propose his own ideas he will remain at the same strategic level. Everything he does is influenced by the strategy developed under old situations of which he is familiar. This is also frightening.

I hope those who belong to the aggressive and powerfully combative type or the type who think only of offensive attacks (some are not necessarily aggressive; they just can

only concern themselves with current benefits,) would concentrate on cultivating their advantage in combat and not interfere with strategy. If a government is troubled by current reality and can only deal with affairs of the combat phase, the government's necessary strategic planning will definitely be delayed.

I want to point out one principle of strategy. If one is to use a benefit that is not definitely possible to obtain in order to cancel a harm that is very possibly coming, one is making a big strategic mistake.

Question: Finally, would you please tell us the current condition of Mr Chiang Xiao-wen. You said once that of the brothers of the Chiang Family, you have the most concern about him.

Chiang: Chiang Xiao-wen's diabetes is rather severe recently. Diabetes is a disease that can only become more severe and will not become more mild, unless there is a medical breakthrough. Xiaowen's condition remains under control, however.

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**Basic Questions Asked of Basic Law**  
40050350b Hong Kong CHENG MING  
[CONTENDING] in Chinese No 128, 1 Jun 88 pp 32-34

[Article by Liu Hui-ch'ing 0491 1979 0615, Hong Kong reporter for FAR EASTERN ECONOMIC REVIEW]

[Text] After over 3 years of work, the Basic Law Drafting Committee finally, on 28 April 1988, published for comment the Basic Law (Draft) delineating Beijing's policy toward the Hong Kong Special Administrative Region after 1997. This 62-page draft revealed serious shortcomings and it appears that it cannot eliminate city residents' misgivings about whether or not after 1997 Hong Kong can maintain its capitalist system and way of life unchanged for 50 years and whether or not Deng Xiaoping's national policy of "one nation, two systems" can be implemented.

Many Hong Kong people are not concerned about the Basic Law because they do not understand this long complex document and they do not believe that Beijing will permit Hong Kong to maintain its present way of life and freedom after 1997. Some people, although concerned about the Basic Law, believe they are powerless because Beijing absolutely will not heed the will of the people. The hottest topic in Hong Kong now is emigration and this "voting with the feet" is the clearest expression that Hong Kong people lack faith in the future. Recently, Chinese and Hong Kong officials simultaneously admitted that there is a serious "brain drain" in this port and the Hong Kong Superintendent Wei Yi-hsin [5898 1150 0207] said that this problem is especially serious among the middle management class.

**It Cannot Guarantee It Won't Change in 1997**

The most fundamental question of the Draft is will the special Administrative Region be able to really enjoy a "high degree of autonomy," will the courts be truly independent, and can rule by law under the common law system be preserved. The 173 articles and 3 appendices to the draft give the impression that it not only cannot guarantee that the existing style of life may be maintained in the future, but more worrisome, after 1997 the capitalist and socialist systems may be confused.

Although China announced that the 176 member Basic Law Advisory Committee will have 5 months to collect people's views, some political observers believe that this is only a paper exercise and that the important decisions will not be changed and that Hong Kong people can only resign themselves to this political fait accompli. After a process of ups and downs, the draft will be approved by the People's Congress, be promulgated in 1990 and become the "little constitution" of the Hong Kong Special Administrative Region. Hong Kong will not have a plebiscite so that the residents of the city can express their support or rejection of the Basic Law.

Mai Li-chueh [7796 3810 6030], Executive Director of the Hong Kong Chamber of Commerce said that there will not be any great changes in the content of the draft and he said that Hong Kong people should judge it with "realistic" and "legal" views. Mai Li-chueh will compete this September for the Hong Kong Chamber of Commerce seat in the Legislative Department's functional organization.

Ho Chun-jen [0149 0193 088], head of the political organization the T'ai'ping Shan Society said that it cannot be denied that China is unwilling to give complete power to the government of the Special Administrative Region and may be inclined to establish an administratively led government. He believes that certain parts of the draft may be revised, but this will require the vigorous fighting of Hong Kong people. He said that it would be very stupid to publish a draft which could not be revised at all. He also believes that China may yield to some degree but the question is that he doesn't know what China's bottomline is.

**Threatens the Foundation of Rule By Law and Judicial Independence**

The issue of the draft that is most followed with interest is that the right of interpretation belongs to the Standing Committee of the NPC and the right to revise the Basic Law is in the hands of the NPC. Legal experts say that placing the right of interpretation with Beijing may endanger the right of final judgment which was granted to the future Special Administrative Region by the Joint Sino-British Declaration. Senior Lawyer, Li Chih-hsi [2621 1807 0823], said though the Joint Declaration stipulates that China's socialist system and policies cannot be implemented in Hong Kong, the draft gave the right to interpret the Basic Law to the national legislative body, which is different from the customary method in Hong Kong. In Hong Kong, which is a common law region, the constitution of Hong Kong is interpreted by the courts, that is the "Mandates of the British Empire" and "Directives of the Throne." If the right of interpretation is handed over to the NPC, there is the suspicion that the socialist system will be implemented in Hong Kong.

Many Hong Kong people agree that political and judicial independence is an important factor to the success of Hong Kong thus they must be completely preserved. Some figures in legal circles say that the foundation of Hong Kong's politics and the independent courts system is now threatened by the Basic Law Draft. They feel that if Hong Kong's court of last instance is restricted by the Standing Committee of the NPC interpreting the Basic Law, then the judicial independence of the Special Administrative Region, including the right of final judgment, will have almost no meaning.

**The Ambiguity of Legislative Rights Stipulations Benefits Legislation by the Central Government**

Although the Joint Declaration clearly explains that the law enforced by the future Special Administrative Region is the Basic Law and the existing laws of Hong



Kong and the laws of passed by the legislative body of the Special Administrative Region, but the draft adds another page—laws concerning national unity and territorial integrity and those which, according to the Basic Law are not within the jurisdiction of Hong Kong's high degree of autonomy. But the draft does not clearly explain what is meant by jurisdiction of Hong Kong's high degree of autonomy, thus if there are disputes, the Standing Committee of the NPC may interpret this jurisdiction.

The aim of this article which was added to the draft is to make some Chinese laws applicable to Hong Kong, for example, nationality law, organization law of the NPC and Chinese territorial waters announcements. However, if the Central Government wants to legislate for Hong Kong, it may be said that this violates the article of the Joint Declaration: "The legislative rights of the Hong Kong Special Administrative Region belong to the legislative body of the Hong Kong Special Administrative Region." In the draft, this clear stipulation is changed to "The Hong Kong Special Administrative Region enjoys legislative rights." This means that the Central Government also enjoys legislative power for the Special Administrative Region, and there are some major discrepancies between this and the spirit of the Joint Declaration, and it is also possible that the lines of "one nation, two systems" may be blurred.

#### **The Authority of the Executive Officer of the Chinese Communist Leaders Are Unlimited**

Another place which deserves attention is the political structure. A Hong Kong government official has acknowledged privately that Beijing may completely control the political structure of the future Special Administrative Region. In the past 3 years, the Chinese have repeatedly indicated that they hope to preserve Hong Kong's existing political framework, and do not plan any major changes. As an expression of cooperation, Hong Kong British officials have repeatedly discussed the "high degree of autonomy," stressing only "high degree of continuity," and the impression they have given is that after 1997 Hong Kong will make the transition from an British colony to a Chinese "colony." Some representatives of the two councils have indicated privately that turning Hong Kong into a Chinese "colony" is the only way in which Hong Kong can exist under Chinese control after 1997.

The section in the draft on the political system may say almost that the power and relations of the existing administrative and legislative bureaus will be moved in, but definitely cannot embody the "executive body will be responsible to the legislative body" which was said in the Joint Declaration. The unlimited authority of the executive officer is roughly equivalent to that of the existing Hong Kong governor, and will be responsible to the special Administrative Region and Beijing. The authority of the legislative body will include formulating laws prepared by the executive body, passing budgets

proposed by the executive body, hearing administrative reports made by the executive body, and making inquiries on the work of the executive body. If the legislative body refuses to pass the budget, the executive officer has the right to dissolve the legislative body. In a debate on the Basic Law in the House of Commons in March, British Labor Party member John Marek said the legislative body of the future special Administrative Region is completely without authority.

#### **Western Mirror of "Impeachment" and "Electoral College"**

To indicate symbolically that the executive body is "responsible" to the legislative body, the draft has an article stating that the legislative body can impeach the executive officer, but it must be motioned by one-fourth and approved by two-thirds of the members of the legislative body but only one-fourth of the members of the legislative body can be chosen by direct election, while the majority are chosen by various indirect election methods. Even if an impeachment bill obtains passage, does recall of the executive officer still have to be approved by Beijing. Thus, the impeachment article is an empty shell.

According to the proposal of the draft, the executive officer and the majority of the members of the legislative body may be elected from an "electoral college" made up of several hundred people. The electoral college will come from legislative assembly, industrial and commercial, educational, labor, social, specialized, and religious organizations at all levels. We do not know how these people will be elected but this idea has been criticized from many areas which say that it is insufficiently democratic and attempts to monopolize this important political power by a small group of wealthy and influential figures.

The idea of the "electoral college" was proposed by over 80 businessmen and specialists of the consultative committee. They used over 100,000 yuan to make a propaganda film to market the idea of the "electoral college," utilizing scenes of the South Korean Democratic Party demonstrations and fights in the Taiwan Legislative Yuan to point out that democracy can bring frightening confrontational politics. A key figure in this group is the surveyor Liang Chen-ying [4731 2182 5391] who several months ago was appointed secretary of the advisory committee to replace Mao Tiao-chun [3029 6874 1628] who was promoted to Deputy Director of the New China News Agency. This appointment was believed to be approval and appreciation by Beijing for Liang Chen-ying and this advisory committee.

#### **Eastern Official Work Style, Attacks Trust**

In addition, in drafting the Basic Law in the past few years, Chinese officials have given many speeches on the development of the Hong Kong political system but

these speeches have been absolutely no help in maintaining Hong Kong people's trust in the future. They may not understand that Hong Kong people are "very" sensitive to the speeches given by Chinese officials and hope that China will meddle in Hong Kong's internal government as little as possible.

The managerial behavior of Chinese officials can be seen from the last April's seventh plenary session of the Draft Committee. This session wanted to approve the Basic Law Draft, but the draft was already prepared before the meeting was convened. Proposals for revising the draft which were put forward by committee members at the meeting could not be put into the draft, but were to be circulated for perusal later. A staff member of the Hong Kong Consultative Committee confessed that they had already decided to call a press conference at the Consultative Committee on the afternoon of 28 April to make the Basic Law draft public, but they could not decide on a time for the press conference. One staff member said: "This depends on when the Beijing draft committee votes to approve the draft."

Not long before the Draft Committee meeting, the Hong Kong Draft Committee discovered some proposals on the method of creating the first administrative district government were removed by important members of the draft committee and an overall group made up of the conveners of the special topics groups. After some negotiation and work, these proposals were added to the draft. Another dispute concerned the issue of the establishment and authority of the Basic Law Committee. This committee was to give its opinions to the NPC or the Standing Committee of the NPC concerning interpretation and revision of the Basic Law, which national laws were suitable in Hong Kong and which Special Administrative Region laws might conflict with the Basic Law. The Chinese officials said that this committee was a matter for the NPC and must not advise Hong Kong people. Only after some opposition from the Hong Kong Draft Committee did Beijing agree to adding proposals on establishing this committee to "Appendix 3" of the draft.

#### **Most Members of the Hong Kong Draft Committee Hold Foreign Passports**

Another reason why Hong Kong people lacked faith in the Basic Law is that they thought that to some extent the Hong Kong Draft Committee was a sham and dishonest. Some on the draft committee held foreign passports, and this was seen by many Hong Kong people as an expression of lack of faith in Hong Kong's future. Some others on the draft committee are very wealthy and would have no problem settling down anywhere any time they chose, and these people loudly appealed to the public for them to have faith in Hong Kong's future. How many people could believe what they said?

Jung Yung-tao [1369 3057 6670] a member of the draft committee and an accountant threw away his ballot when it was time for the Draft Committee to approve the press Basic Law Draft because he opposed the Draft Committee "cordially welcoming various overseas persons and soliciting opinions on the Basic Law Draft and presenting their opinions and suggestions." He said consulting overseas people on the Basic Law makes Chinese lose face. But Jung Yung-tao holds a British passport and according to Chinese nationality law, he is a foreigner.

Other members of the Hong Kong draft committee who hold British passports were the Deputy Chairman and tycoon, Pao Yu-kang [0545 3768 0474], retired high court justice Li Fu-shan [2621 4395 0810] and his niece, East Asian Bank director and general manager, Li Kuopao [2621 0948 1405], member of both councils Tan Hui-chu [6223 1920 3796], and businessman Cheng Cheng-hsun [6774 2973 6064]. Fang Ch'i-o [2455 4860 1230], the wife of Li Chu-ming 2621 2691 6900] holds a British passport. Of all the members of the draft committee who hold Hong Kong passports, only Ssu-t'u Hua [0674 1778 5478], representative to the Legislative Council indicated that no matter what, he would not leave Hong Kong.

#### **Secret Sino-British Talks Reprinted**

At the 18 May session of the Legislative Council, Chief Secretary Ford said that the Hong Kong government would present its opinions on the Basic Law draft to China privately because presenting its opinions publicly is not necessarily the most effective method. Draft Committee secretary Li Hou [2621 0683] further announced that the Chinese and British governments had discussed the issue of the Basic Law through diplomatic channels. Although the Consultative Committee said that it would fully solicit popular opinion, I believe that the Chinese will listen more to the views of the British government than the views of Hong Kong people because politics is about power, and Hong Kong people are basically without any political power to bargain with Beijing.

Of the articles in the draft, what most concerns England is the method of creating the first special administrative region government because it can seriously affect the morale of the Hong Kong public officials in the transitional period and how England will safeguard its interests in Hong Kong after 1997. The British do not want to see any government of the first special administrative region because they think that the final Hong Kong-British government will be the first special administrative region government, and Legislative Council member Huang Hung-fa [7806 1347 4099] further pointed out that based on Appendix Two of the Joint Sino-British Declaration, "The duty of the Sino-British Joint Liaison Group is to discuss arrangements related to the smooth transfer of political power in 1997" and consider "measures to be adopted for a smooth transition in

1997." Thus, Huang Hung-fa said, this indicates that the British have the right to participate in the organization of the first special administrative region government.

London impatiently announced that Parliament would debate the Basic Law draft and the Legislative Council also will conduct debate on the draft in July. Chief Secretary Ford visited Beijing in early March. All indications are that the British are ready to start something. With regard to the method for producing the first special administrative region government, the British government has relayed their views to the Draft Committee through T'an Hui-chu, reported in the papers as a "blank scheme." The article of this scheme can be seen in the last paragraph on the last page of the draft: "The first government of the Hong Kong Special Administrative Region will be produced under arrangements which will manifest the sovereignty of the People's Republic of China and principles of Hong Kong's smooth and steady transition." Although T'an Hui-chu stressed that this was her suggestion, when talking about this scheme, Li Hou said that there was a country behind it. The May issue of a pro-Chinese periodical pointed out that the draft committee added T'an Hui-chu's "empty" scheme

to the draft indicating that for the time being there would not be anything developed to resolve such a delicate technical issue, and that the Chinese and British sides felt that it should be discussed again. This periodical said, "The content of the method of organizing the government as sovereign did not have to be discussed with England again, in fact, the Sino-British agreement also did not reach any stipulations. However, when formulating the Basic Law, the Chinese reserved plenty of leeway, and expressed their intention to cooperate with Britain sincerely." For the time being do not discuss whether China accepted Britain's scheme or not, the development of the facts reveals that the Chinese government had already exchanged views many times, and the reprinting of the secret Sino-British talks held in 1983 and 1984 is very significant. If Hong Kong is to have a smooth and successful transition, Sino-British cooperation is naturally extremely important, but Hong Kong people should be careful and on their guard, because when Sino-British interests and those of Hong Kong people come in conflict, the interests of the Hong Kong people will be overlooked or even may be sold out.

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